

MONEY
ADVICE TRUST



Consultation Response:

Lending Standards Board Access to banking standard review consultation

Response by the Money Advice Trust

Date: August 2021

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Introduction

About the Money Advice Trust

The Money Advice Trust is a charity founded in 1991 to help people across the UK tackle their debts and manage their money with confidence.

The Trust's main activities are giving advice, supporting advisers and improving the UK's money and debt environment.

In 2020, our National Debtline and Business Debtline advisers provided help to 161,560 people by phone and webchat, with 1.86 million visits to our advice websites.

In addition to these frontline services, our Wiseradviser service provides training to free-to-client advice organisations across the UK and in 2020 we delivered this free training to over 920 organisations.

We use the intelligence and insight gained from these activities to improve the UK's money and debt environment by contributing to policy developments and public debate around these issues.

Find out more at www.moneyadvicetrust.org

Public disclosure

Please note that we consent to public disclosure of this response.

Executive summary

We welcome the opportunity to comment on the LSB access to banking standard review. It is vital that consumers and small businesses can easily access cash into the future. Like other organisations, we remain concerned that continued closures of bank branches and a loss of access to free ATMs will have a disproportionate impact on people in vulnerable circumstances.

We recognise there is a changing regulatory environment with regards to access to cash, and this raises questions about the continuation of the industry agreement. We remain of the view that, in the absence of the ability to compel all firms to join the voluntary standard or additional five commitments, there is an urgent requirement for government legislation to protect access to cash. This needs to be put in place as soon as possible. Ahead of that being put in place, it would seem premature to remove the standard. However, as we have said previously and set out here, the provisions of the agreement need to be strengthened.

We recognise that there is work being undertaken to try to protect access to cash, for example the Community Access to Cash pilots that are being run currently.¹ Alongside this, LINK has put in place a scheme to fund extra free ATMs.² We also note that the Government has announced an intention to legislate to protect access to cash in the Budget in March 2020,³ and has issued a further consultation on access to cash in July 2021.⁴ In our view, this legislation needs to be put in place as soon as possible.

We note that this action, and the latest consultation on legislation, builds on access to cash call for evidence in October 2020.⁵ The government has introduced legislation through the Financial Services Act to improve access to cash by making it easier for retailers to offer cashback without a purchase.⁶ We note that the FCA guidance on branch and ATM closures or conversions is also in place, which we hope will complement and enhance the work of the LSB.⁷

In summary we have the following concerns.

- ✓ We commend the good intentions behind the development of the access to banking standard to try to minimise the consumer detriment caused by the closure of bank branches on vulnerable consumers. However, we are not sure that it is seeking the right or fair outcomes for consumers and SMEs.

¹ <https://communityaccesstocashpilots.org/>

² [LINK / Monthly ATM Footprint Report](https://www.link.co.uk/about/news/first-free-to-use-atm-installed-post-lockdown-goes-live-in-huyton/)

³ <https://www.which.co.uk/news/2020/03/budget-2020-chancellor-poised-to-protect-access-to-cash/>

⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/997889/Access_to_Cash_-_Consultation.pdf

⁵ [Access to Cash: Call for Evidence - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/997889/Access_to_Cash_-_Consultation.pdf)

⁶ [Milestone for UK financial services as Bill receives Royal Assent - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/milestone-for-uk-financial-services-as-bill-receives-royal-assent)

⁷ [FG20/3: Branch and ATM closures or conversions | FCA](https://www.fca.org.uk/consumers/branch-and-atm-closures-or-conversions)

- ✓ Unless there is evidence that the improved communications or other measures has had an effect on outcomes for consumers then it is hard to show whether the standard has been effective in minimising the impact of branch closures on consumers.
- ✓ The LSB should ensure that good consumer outcomes can be demonstrated potentially via independent research with individual customers who can share their lived experiences of how the support happened in practice and whether it was valuable.
- ✓ We believe that firms should be able to demonstrate that alternative banking services have been put in place before branch closures or reductions in hours can occur. The standard should place a requirement on firms to ensure this is the case.
- ✓ Unfortunately, it is not clear that the standard can require all firms to act in a specific way. We note that only seven of the 12 firms signed up to the standard have made the additional five commitments to continue to preserve access to cash. We presume that firms who are not signed up to the standard will not be required to make any adjustments. It therefore appears likely that legislation is required to ensure that all firms take the same approach.
- ✓ The standard will need to examine and reference the FCA's new guidance on the fair treatment of vulnerable customers and ensure that its provisions are compatible with the requirements of the vulnerability guidance.
- ✓ The standard will need to reference and look ahead to assessing the impact of the new FCA consumer duty⁸ with its overriding principle and emphasis on good consumer outcomes.
- ✓ Potentially, the Post Office could be a solution to the ever-increasing amount of bank closures, if resourced to provide replacement services, particularly in relation to SMEs deposit services.
- ✓ For small businesses it is vital that they can easily access local deposit-taking facilities to deposit the takings from their businesses. These facilities need to be secure and ensure privacy to protect businesses from potential theft.

We hope that the LSB, the government, FCA, the Post Office and firms can work together to find solutions as fast as possible.

⁸ <https://www.fca.org.uk/publications/consultation-papers/cp21-13-new-consumer-duty>

Responses to individual questions

Implementation

Question 1: Is the overarching principle of the Access to Banking Standard clear and do the commitments in the Standard continue to represent the most effective way of ensuring customers are treated fairly once a decision to close a branch or significantly reduce hours has been made?

We commend the good intentions behind the development of the access to banking standard to try to minimise the consumer detriment caused by the closure of bank branches on vulnerable consumers. We are not sure that it is seeking the right or fair outcomes for consumers and SMEs.

We note that the paper states:

“The Standard, as with the Access to Banking Protocol which preceded it, was introduced to help manage the way branch closures are undertaken. Banks and building societies’ decisions to close branches or to change the availability of services remain a commercial decision for the individual firm.”

We are not convinced that the standard is taking the right approach by only looking at outcomes for consumers once a decision has already been made to close a branch or reduce its hours significantly. As we have said in our response to the FCA guidance consultation,⁹ concerning the FCA powers, it is not clear to us what action the LSB can take under the standard to prevent a firm taking action to close branches or to remove a free ATM even if the LSB considers this action to be unfair to consumers.

⁹

https://moneyadvicetrust.org/media/documents/MAT_response_to_the_FCA_Guidance_consultation_on_Branch_and_ATM_closures_or_co_fwIPSF1.pdf

We struggle to see how customers can be treated fairly after the decision to close the branch has been taken without consultation.

We are extremely concerned that there has been a recent acceleration in the closure of bank branches which disproportionately affects people who are in vulnerable circumstances, and those who live rurally, and cannot travel to other branches within a reasonable distance.

Whilst rural populations can be affluent and not in vulnerable situations, they may well have problems of access because their isolated location makes it difficult to travel to other branches, and they may not have reliable internet connectivity so they will still rely on cash and local bank branches.

There will also be many people in vulnerable circumstances who may live in isolated locations and do not have the means to travel and are digitally excluded. It is therefore important to consider both groups as these will have different needs. Whilst we support the Access to Banking Standard, we are not convinced that this goes far enough to ensure that rural communities still have access to bank branch services and free ATMs. We believe that a regulatory requirement on banks to maintain a presence in small, rural towns should be put in place.

Question 2: Are consumers impacted by branch closures or a reduction in services aware of the commitments from banks, as set out in the consumer overview documents? If not, how could they be made aware?

We are not able to comment on whether consumers impacted by branch closures are aware of the commitments that have been made by banks. We would suggest further consumer research may be required to answer this question.

We would imagine that information sent and offers of further help from their existing bank may not cut through to alleviate potentially angry customers' concern and confusion at the time.

The possibility of providing information, advice and help via a trusted third-party organisation such as the Money and Pensions Service or another independent body could also be explored as an option.

Question 3: Has the Access to Banking Standard, as implemented, been effective in helping to minimise the impact of reduced access to branch services on consumers, businesses and local communities?

We note that the summary report suggests there are improvements in the way in which firms have supported customers - such as enhanced communications, insight from previous closure programmes and engagement with the Post Office.

We certainly support the UK Finance plan to raise awareness of banking services available through the Post Office.

As the paper says:

“Further research from Citizens’ Advice has found that the proportion of consumers who have used Post Office Banking in the last 12 months rose from 12% in 2017 to 25% in 2020. In addition, 20% of small business had used the Post Office for banking in 2020. The same research found that 67% of those running Post Office branches where a local bank had shut down say it led to a significant increase in the use of banking services at their post office.”

Potentially, the Post Office could be a solution to the ever-increasing amount of bank closures, if resourced to provide replacement services, particularly in relation to SMEs deposit services.

For small businesses it is vital that they can easily access local deposit-taking facilities to deposit the takings from their businesses. These facilities need to be secure and ensure privacy to protect businesses from potential theft.

The standard needs to embed the overarching principle that ensures access to local cash deposit-taking facilities for small businesses. This should ensure fair outcomes for small businesses in addition to protections to ensure access to cash for individual consumers.

It appears that local post offices have a key function here, but are hampered by lack of security, privacy and outdated equipment to meet the huge demand. There needs to be sufficient industry investment into post offices to allow them to offer better deposit taking services. This could include upgrades to allow auto-deposit services to small businesses, and greater privacy through community banking hubs.

There does not appear to be substantial research into the impact of these measures on consumers generally or the customers of the affected branches in particular. Unless there is evidence that the improved communications or other measures had an effect on outcomes for consumers then it is hard to show whether the standard has been effective in minimising the impact of branch closures on consumers.

It has become increasingly clear in recent years that sending more information is not necessarily the most effective way of reaching people who may be in vulnerable circumstances.

We note in particular that there is a recognition that work so far has not engaged with vulnerable consumers effectively.

“The areas identified as requiring improvement included the need for a more proactive strategy for engaging with potentially vulnerable customers, as well as enhancing the level of information available post-announcement and post-closure to continually assist customers.”

Question 4: Is the industry agreed definition of an ‘impacted customer’ appropriate and does it capture the customers most likely to benefit from the commitments in the Standard? Should a definition of impacted customers be included within the Standard?

It is always helpful to include a definition in standards and guidance as this makes it more transparent and makes the standard as clear as possible for users. Clearly, the standard needs to ensure that SMEs are included as impacted customers in the definition.

Question 5: Does the LSB industry guidance help to provide further clarity regarding the application of the Standard? Should any elements of the guidance be incorporated into the Standard?

We are not close enough to the practical workings of the standard to know if it would work better for elements of the guidance to be incorporated into the standard.

Question 6: Does the independent oversight of the industry Standard, provided by the LSB, provide confidence to stakeholders that firms are providing appropriate support to customers once a decision has been made to close a branch or to significantly reduce opening hours?

We would expect the independent oversight of the industry standard by the LSB will provide an element of confidence for stakeholders. However, we have not seen evidence to demonstrate that firms are providing appropriate support to customers. The LSB should ensure that good consumer outcomes can be demonstrated potentially via independent research with individual customers who can share their lived experiences of how the support happened in practice and whether it was valuable.

Changes to the provision and use of banking services

Question 7: In addition to those summarised in this consultation paper, are there changes to the way banking services are offered to and used by customers that should be considered when looking at how firms can support customers impacted by a reduction in access to branch services?

We note the paper quotes FCA research.

“The FCA has found that most adults have coped well with reduced access to branches and ATMs. In particular, in October 2020, the FCA found that people had reacted to Covid-19 restrictions by increasing their use of digital banking, with 28% saying they used online or mobile banking more regularly, and decreasing use of branches, with 46% saying they visited branches less frequently compared with the end of February 2020.

While this is the case, some customers have struggled. For instance, 15% of those who are heavily reliant on cash have said they have not coped with reduced branch and ATM access during the pandemic, despite branches being able to remain open, albeit with limited hours and restrictions in place.”

We believe that firms should be able to demonstrate that alternative banking services have been put in place *before* branch closures or reductions in hours can occur. The standard should place a requirement on firms to ensure this is the case. Unfortunately, it is not clear that the standard can require all firms to act in a specific way. We note that only seven of the 12 firms signed up to the standard have made the additional five commitments to continue to preserve access to cash. We presume that firms who are not signed up to the standard will not be required to make any adjustments. It therefore appears likely that legislation is required to ensure that all firms take the same approach.

Any solution will require a range of options so that SMEs are not so limited in where they can access deposit facilities. Innovative ideas such as collection services, and self-fill ATMs, may be of some assistance in filling in gaps in provision, but may not be suitable for micro-businesses without premises. The banking sector should be required to invest in both deposit taking and access to cash services locally when withdrawing local branch support to ensure the additional costs of the services are covered.

Question 8: Given the changing way in which retail banking services are provided and accessed by customers, both consumers and SMEs, should there be changes to the scope of the Access to Banking Standard to take account of this? For instance, should the Standard more explicitly include considerations on banking alternatives, such as joint banking hubs and ATMs?

We would very much welcome changes to the scope of the standard to explicitly include banking alternatives such as the Post Office, joint banking hubs and the provision of free ATMs.

Question 9: Could changes to the commitments in the Access to Banking Standard, or any supporting guidance, further help improve outcomes for customers in relation to access to banking? If yes, what might these entail?

As we have said, we believe that firms should be able to demonstrate that alternative banking services have been put in place *before* branch closures or reductions in hours can occur.

The standard will need to examine and reference the FCA's new guidance on the fair treatment of vulnerable customers¹⁰ and ensure that its provisions are compatible with the requirements of the vulnerability guidance.

¹⁰ <https://www.fca.org.uk/publications/finalised-guidance/guidance-firms-fair-treatment-vulnerable-customers>

The standard will need to reference and look ahead to assessing the impact of the new FCA consumer duty¹¹ with its overriding principle and emphasis on good consumer outcomes. Whilst we appreciate that this is still out for consultation, it would be prudent to include amendments to the standard that will clearly pre-empt these developments.

We note the proposed cross-cutting rules could have particular relevance for branch closures with the requirement to “*take all reasonable steps to avoid foreseeable harm*”.

The FCA consumer duty consultation paper says the following.

“We propose that the Consumer Duty’s Cross-cutting Rules would set out the key behaviours required by the Consumer Duty, and make clear that the Consumer Principle requires firms to:

- ✓ *act in good faith*
- ✓ *take all reasonable steps to avoid foreseeable harm to consumers*
- ✓ *take all reasonable steps to enable consumers to pursue their financial objectives*

Each of these is an essential element of the level of care firms should provide to consumers.”

Given this, we are not convinced that the current provisions of the standard go far enough in terms of requirements before a decision to close a branch is taken, and therefore to avoid harm occurring.

¹¹ <https://www.fca.org.uk/publications/consultation-papers/cp21-13-new-consumer-duty>

Changes to the regulatory environment

Question 10: The publication of guidance by the FCA has meant that firms that are signatories to the Standard have been subject to both LSB oversight and FCA supervision when making decisions to close branches.

- a. What is, or might be, the impact of this on customer outcomes?
- b. Are there benefits or challenges for firms in having both the LSB oversight and FCA supervisory activity?

As we have said, it is hard to judge the impact of either sets of guidance on customer outcomes without robust consumer research with impacted customers.

We cannot comment on the benefits or challenges for firms in having both LSB oversight and FCA supervision under their guidance.

Question 11: Given the potential for ongoing legislative and regulatory changes, when it comes to access to cash and banking services:

a. Could the Standard, or the governance and oversight of it, be changed or adapted to better support the commitments made by firms on access to banking?

b. Is there still a benefit to consumers and SMEs to having in place an industry agreement on access to banking? If no, how should the protections for customers currently provided by the Standard be maintained or improved? If yes, please explain further.

As we have said, we recognise there is a changing regulatory environment with regards to access to cash, and this raises questions about the continuation of the industry agreement. We remain of the view that, in the absence of the ability to compel all firms to join the voluntary standard or additional five commitments, there is an urgent requirement for government legislation to protect access to cash. This needs to be put in place as soon as possible. Ahead of that being put in place, it would seem premature to remove the standard. However, as we have said previously and set out here, the provisions of the agreement need to be strengthened.

In addition, in the absence of the ability to compel all firms to join the voluntary standard or additional five commitments, there appears to be an urgent requirement for government legislation to protect access to cash. In our view, this legislation needs to be put in place as soon as possible.

We are pleased to note that the FCA guidance has an aim of achieving “fair outcomes” for consumers. However, we are concerned that the guidance does not go far enough to ensure a fair outcome. Without legislation in place to protect access to banking services for consumers and small businesses, it would appear that the FCA guidance may have a limited ability to influence commercial decisions by firms.

As we said in our response to the FCA Guidance consultation on branch or ATM closures or conversions:¹²

“It is not clear to us what action the FCA can take to prevent a firm taking action to close branches or to remove a free ATM even if the FCA considers this action to be unfair to consumers. For example, if a firm does not put in place alternative access to cash for consumers, it does not appear that there is a requirement on firms to do so before the closure can take place. In addition it is unclear what the remedy is or what action the FCA can take to ensure compliance if the FCA feels that a firm has acted unfairly.”

We welcome the joint FCA and PSR statement on access to cash in May 2021.¹³

“We expect individual firms to protect the ability of their customers to access cash and other services that meet their needs when they close branches. We welcome the industry’s proposal to work together to protect access and develop long term solutions, while ensuring they comply with competition law.

We support the government’s commitment to protect access to cash through legislation and we will have a role in supervising that legislation.”

We are pleased to see the FCA is planning on reviewing its guidance on branch and ATM closures within 12 months.

We agree with the statement in the paper.

“...as is reflected in the latest FCA and PSR statement mentioned above, access to cash and banking services remain vital for many consumers and businesses and the issue of cash access is therefore linked to the availability of retail banking services.”

We hope that the LSB, the government, FCA, Post Office and firms can work together to find solutions as fast as possible.

¹²

https://moneyadvice.trust.org/media/documents/MAT_response_to_the_FCA_Guidance_consultation_on_Branch_and_ATM_closures_or_co_fwIPSF1.pdf

¹³ [Access to cash FCA and PSR joint statement | FCA](#)

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