

Scottish Parliament Cross Party Group on Independent Convenience Stores

Draft Minute of meeting held on 27th February 2020

1. WELCOME AND INTRODUCTIONS

Richard Lyle MSP (deputising for the convenor, Gordon MacDonald MSP) welcomed attendees to the meeting including Daniel Johnson MSP, Gordon Lindhurst MSP and John Mason MSP who were also in attendance and then outlined the main items of business. Apologies were received from Maurice Golden MSP and the Gordon McDonald MSP.

2. APPROVAL OF PREVIOUS MINUTES AND ACTION POINTS

The Convener (Richard Lyle MSP) asked for the approval of the previous minutes from the 19th November 2019 meeting. These were approved.

3. PROTECTION OF WORKERS BILL UPDATE

Daniel Johnson MSP stated that his Protection of Workers Bill had been introduced to the Scottish Parliament was expected to move the Committee stage week commencing 2 March 2020 where three weeks of evidence taking would then be taken by the Economy, Energy and Fair Work Committee. A report would then be produced by the Committee at the end of Stage 1 and if supported proceed through the subsequent stages before a parliamentary debate.

4. BANK CLOSURES, ACCESS TO CASH AND THE ATM NETWORK

John Lee introduced the speakers and the following presentations were delivered:

Gordon Lindhurst MSP – (former) Convenor of the Scottish Parliament Economy Committee

Gordon informed the CPG that up until two days ago he had been the Convener of the Scottish Parliament's Economy, Energy and Fair Work Committee but had now left this position and the Committee. He stated however both Gordon MacDonald MSP and Richard Lyle MSP remained as members.

He explained that the Committee had looked at bank closures, the lessening use of cash and the lack of accessibility of cash for people in remote areas. The Committee had concluded that there would be an indefinite need for cash and access to face to face banking services. In terms of the Access to Banking Standard in relation to closures they had noted that it only required banks to consult communities once the decision to close one had been made. The standard was seen as failing. The Committee also felt that there should be UK government research on the whole issue of bank closures and financial services and what specific statutory or regulatory changes could be put in place.

Gordon stated that the HM Treasury had explained that banks responded to the commercial needs of customers, but he said the Committee did not necessarily see it that way. He highlighted that the Economy Committee had been at the forefront in looking at bank closures and related matters and had published their original report in July 2018 and this had been followed by the publication of the Access to Cash in Scotland report by the Scottish Affairs Committee at Westminster in July 2019. Shortly thereafter a report was also published by the Welsh Assembly. He informed the CPG that cash was needed indefinitely and noted that the Scottish Affairs Committee report had highlighted that the decline of cash in Scotland was less than the rest of the UK. The report published by the Welsh Assembly mentioned that on-line banking was not a long-term solution for everyone (e.g. those with dementia or disabilities).

Gordon indicated that the need for access to cash and face-face-face banking services did not appear to have been taken on board by mainstream banks. He also highlighted that the last bank in town provision appeared to encourage banks to close branches as the respective banks did not want to be left as the last bank in town. He stated that there needed to be an equal requirement placed on banks

to help contribute towards maintaining access to banking services. He suggested that all banks could contribute to the maintenance of the last bank in town where this was the case.

Discussion then followed the conclusion of Gordon Lindhurst MSP's presentation. The Convenor informed those present that he had once been a grocer in Bellshill and that the town previously had several ATMs for customers to use but that today there was only one ATM remaining. He also explained that shops needed to be able to bank cash given that they were handling cash on daily basis.

John Lee commented that both he and Pete Cheema had met with bank officials a few years ago and had been told that banks were changing the services they offered to respond to societal issues. He felt that banks appeared to be belligerent and unhelpful.

Gordon Lindhurst MSP indicated that on-line banking was now available and acknowledged that the internet had changed everything. Banks operated differently 100 years ago in that they needed a high street presence at that time. In terms of the banking services now offered to customers he felt there was a need for a regulatory system in Scotland to help address the current challenges. He took the view that until such a system was in place the banks would go with their own business models. Also, if a statutory form of regulation were put in place, the banks could be held to it.

Daniel Johnson MSP raised the issue about the need for retailers to have to deposit cash at their bank.

Gordon Lindhurst MSP commented that banks had said retailers were also able to use post offices to deposit cash but that this raised issues around appropriate funding for post offices in providing this service.

John Mason MSP raised the question as to whether small businesses were satisfied with the service offered by the post office.

Dr Pete Cheema OBE informed the CPG that post offices were not able to replicate the services offered by banks as they were not financially astute and there was insufficient staff training. He also highlighted that post offices could only take £2k per transaction over the counter and this raised the question as to whether retailers would need to visit their post office six times a day to deposit all monies. Pete also made the point that postmasters got less than £2 an hour for the service they provided which then had possible implications around the National Living Wage.

Mo Razzaq stated that the cost of banking cash had gone up but that retailers also had to factor in other associated costs such as the time spent travelling to their local bank, then the time spent in it and the insurance costs of having money in transit to deposit the money at the bank. He also added that post office closures were due to the low commission they received for the financial services they provided. This was having an impact on rural communities too.

Ron Delnevo commented that in the past banks had seen the post office as a competitor but now they wanted the post office to take on a lot of the services they themselves had previously provided. He raised the question as to why the 'last bank in town' did not appear to be working harder to get more business and stated banks were not making money from their branches and highlighted that something was wrong with their business model. He informed the CPG that bank accounts were being created in such a way that it was not necessary for customers to have visit their bank in person.

Dr Pete Cheema OBE stated that banks made no money from personal customers but rather it was made from business customers.

The Convenor stated that the Royal Bank of Scotland had said 10 years ago that they would never close a branch but he highlighted that he now had to go to Motherwell if he wanted the access his nearest branch.

John Howells – CEO LINK

John informed the CPG that 200,000 people needed to use cash in Scotland and that in the event of technology breaking down people would need to use cash. He pointed out that the authorities in Sweden had indicated that they wished they had not rushed headlong into a cashless society and were now putting legislation in place to allow the introduction of cash again.

John explained that bank branch closures were not being co-ordinated and that it appeared there was a rush to the bottom in this regard by banks. He accepted however that banks had to make money. John highlighted that there was a need for co-ordinated action around branch closures and that policy and regulation in this area was required. He added that the financial services offered by the post office around access to cash were completely voluntary and they nearly collapsed when Barclays bank sought to prevent their own direct debit card holders from withdrawing cash from the post office network. He stated that the UK was at a cliff edge in terms of banking services and access to cash. John highlighted that Which? magazine and the Scottish Grocers' Federation (SGF) were driving forward to highlight these issues to policy makers.

John stated cash usage had dropped 10% in the last year and it was thought it may drop by 20% in 2020. He felt that the UK government needed to step in and act at the forthcoming March budget and in doing so put in place a proper banking and access to cash system. John also stated that remote villages should not be stripped of access to cash services. He also highlighted that Scotland was only just behind the South East of England in terms of people switching from cash to other payment methods and that Scotland appeared to be switching at a rate of 12% a year. John also mentioned that in Scotland on average a person was about 500 metres from an ATM whereas in the rest of the UK it was 250 metres. Having sufficient broadband coverage was also an issue to be considered in terms banking services and access to cash. This was relevant to both Scotland and England.

Ron Delnevo – (former) CEO of the ATM Industry Association

Ron explained that he had put the first independent ATM machine into the UK around 20 years ago. At that point in time 80% of ATMs were located at bank branches. The use of independent ATMs, including charged ones, therefore gave more people access to their cash. At that time, many communities were happy to pay a surcharge on transactions as they had never had access to an ATM before.

He indicated that banks were not happy about the interchange fee and being required to pay it and so appeared to be looking to remove the use of cash to survive. Ron highlighted however that 90% of people in the UK still used cash and he explained that it could not be left to commercial interests to sort out this situation.

In terms of possible future action, he explained that the UK government must 1) intervene or access to cash would disappear 2) explore other options such as for example cash back and automated post offices services 3) guarantee the acceptance of cash as already some retailers were not accepting it and so was leading to exclusion. This should be guarded against at both local authority and governmental level and 4) depositing cash should be made easier for retailers so as to save them time (e.g. use a universal deposit transaction service).

Ron informed the CPG that while books and vinyl records were making comebacks, cash would not if lost.

5. QUESTIONS AND ANSWERS

The Convener then invited comments and questions.

The Convenor started by raising the question about whether the banks required further legislation around access to cash and related services.

Gordon Lindhurst MSP stated that by law in the UK, businesses were required to accept cash for the payment of anything. He explained that Scottish bank notes were not legal tender but that banks were required to accept coins and highlighted they also accepted notes to save the use of lots of coins. Gordon also stated that it appeared the City of Edinburgh Council wanted to eliminate the use of cash. As a society people were not being told that their cash should always be accepted as a payment method and cited an example of when he went for a coffee but that the café did not accept cash. He commented that in such a scenario did he really have the time to hire a lawyer to represent him over his right to be able to use cash as the payment method for a £3 coffee.

John Howells informed the CPG that one in ten transactions in Sweden were made using cash and explained that notes and coins were used in small quantities. He stated that many retailers in Sweden put signs up indicating to customers that they would not accept cash. John explained that retailers should not be forced to accept cash and the associated costs that came with doing so. He also suggested that banks, G4S, Brinks Mat and post offices needed to work together to streamline access to cash and the ATM system and if required make this compulsory. John stated that a regulator was required not legislation.

Dennis Williams highlighted that fees to the public and small businesses for withdrawing cash was £104m a year according to a recent Which? Report. He explained that his own ATM had switched over to a charged cash machine and that this had been imposed by the ATM provider. This had so far resulted in a 15% drop in footfall to his store since the introduction of the surcharge on customer withdrawals. Customers preferred to use the nearest FTU ATM which was located at the local ALDI store.

Ron Delnevo commented that in his view ATM providers were wrong to switch retailers over to charged ATM machines and that was exacerbated when they were located close to an FTU ATM about 150 yards away.

John Howells stated that it was a disgrace that retailers had to use or take on a charged cash machine. He indicated that charged ATMs put small retailers and communities at risk.

Dennis Williams added that many of his customers thought he received all the surcharge for each transaction made on his charged machine.

John Howells mentioned that the forthcoming UK government March budget may task the regulator to do something about the issues around charged cash machines.

Dennis Williams highlighted that his ATM contract did not allow him the option to buy it out and so was required to remain with the contract for the next 5 years and that the rental on the machine was £2k per year.

Joanna Millar stated that her firm Gilson Gray were working with the Scottish Grocers' Federation to help retailers with issues around ATMs and ATM contracts. Part of their task would be to raise awareness of key ATM contractual issues for those retailers who were considering having an ATM machine and for those that did have one ensure they were familiar with the clauses in their contracts. In addition, they would want retailers to be aware any break in contract or notice dates which they could use to avoid their ATM contract rolling on if they wished to exit it.

Joanna added that any regulator would need significant powers around access to cash and ATM contracts. She stated that with SGF, Gilson Gray would be looking at issues around unfair contract terms by ATM providers and mentioned that if larger retailers were being treated differently, this raised issues of anti-competitiveness. She said that the regulator needed to look at ATM contractual practices. She informed the CPG that some clients had sold shops and that those taking over from them did not want to take on an existing ATM but many of them were still required to pay charges sometimes up to £5k to exit from the pre-existing arrangement at the site.

John Howells commented that more could be done to help address such issues from within the existing regulatory set up. He suggested that all the relevant bodies needed to be in a room together to sort out these and related matters.

Ron Delnevo added that ATM provider market had become concentrated and that there needed to be more flexibility over how they operated.

Mo Razzaq stated that retailers had also been let down by the issues around the interchange fee rate, matters around business rates and bank branch closures. He also highlighted that with the downturn in the economy this might potentially lead to the use of more credit cards. Mo informed the CPG that while a retailer could obtain an FTU ATM the provider could switch it over to a charged machine at any time. By contrast, the multiples in his view had an unfair advantage – in terms of being able to negotiate with providers to keep their FTU ATMs across their estate – and so resulted in independent retailers losing customers to them.

Ron Delnevo informed the CPG that the Prime Minister had said that there would be no business rates on ATMs and that it would be important to get him to keep his promise.

John Howells asked those present to consider the challenges that a new regulator would have if tasked with looking at the type of issues which had been discussed at this CPG meeting. He stated that he wanted strong input from Scotland and the Scottish Grocers' Federation to get the UK government and the current regulator to sort out the key issues around access to cash, payment systems and banking services. He highlighted that the current regulator – the Payment Systems Regulator - already had the power to take these issues forward but it required it to be willing to do so.

Dr Pete Cheema OBE informed the CPG that he had suggested at the bank inquiry evidence session of the Economy, Jobs and Fair Work Committee in December 2019, that a bespoke interchange rates system for Scotland be considered rather than continuing with the present situation which was, in effect, a one size fits all arrangement across the UK.

John Howells stated that he was happy to take submissions from any communities and to take their issues to the UK parliament.

The Convenor set out possible actions for the CPG to look at going forward. They were:

- 1) Invite the Cabinet Secretary for Finance to attend a future meeting of the CPG along with representatives from the main banks to discuss access to cash and banking services;
- 2) Write to banks about the possibility of the creation of a Scottish banking model to keep more banks open and within a suitable radius of the communities they served; and,
- 3) Ask the Scottish Grocers' Federation to work with lawyers to look at the key issues around ATM contracts and costs of taking providers to court.

Dennis Williams raised the issue as to whether a retailer had taken an ATM provider to court over their contract.

Ron Delnevo stated that it was not easy to do in terms of trying to take the big ATM providers to court and those that considered doing so, risked being made bankrupt.

Dr John Lee informed the CPG that previous research conducted by the Scottish Grocers' Federation had found that £175m of council tax and rent payments were made via the bill payments services offered by convenience stores. He added that this was vast amount of money being paid through the sector.

Dennis Williams stated that the elderly needed to use cash and did not want use technology to pay for things. He added that people used cash for budgeting purposes. He also added that communities experienced wi-fi connectivity problems and so meant that they had to use cash. This could also be a problem in rural areas too.

John Howells informed the CPG that it would be another 10 years before the digital system was completely safe and free of connectivity problems.

Ron Delnevo commented that the use of cash allowed cash management whereas using contactless payments services did not always help with budgeting.

Joanna Millar stated that charity shops may be a sector which would also support the case for maintaining access to cash. She also pointed out that children needed cash for things like school trips etc.

Mo Razzaq commented that it was useful to have payment cards for some things like those used for school meals and so reduced stigma. He also added however that the homeless also relied on receiving loose change.

6. ANY OTHER BUSINESS

Dr John Lee informed the CPG that Scottish Grocers' Federation Mini-Summit was due to take place on 28th April and circulated a flyer around all those present.

The Convenor stated the he had attended the Scottish Grocers' Federation Crime Seminar at the University of Stirling on 6th February 2020 and the event had went well.

7. DATE OF NEXT MEETING

John Lee stated that the next meeting would take place on Tuesday 19th May 2020. The subject for discussion was still to be agreed.

Appendix A – Attendance List

MSPS	
Name	Company
Johnson, Daniel	
Lindhurst, Gordon	
Lyle, Richard	
Mason, John	

MEMBERS	
Name	Company
Aslam, Harris	Eros Retail
Brown, Dan	Lothian Stores Ltd
Cheema, Anand	Envipco
Cheema OBE, Pete Dr.	Scottish Grocers' Federation
Gill, John	LINK
Gordon, Mike	Retail Consultant
Harper, Jim	G101 Off sales Ltd
Howells, John	LINK
King, Hazel	Scottish Grocers' Federation
Lee, John Dr	Scottish Grocers' Federation
Lalli, Rags	Londis
Lovie, Ian	Scotmid
McGarty, Luke	Scottish Grocers' Federation
Plant, Kevin	Scotmid
Raynal, Bill	LINK
Roberts, Adrian	LINK
Singh, Jaspreet	Premier
Singh, Sandjit	Premier
Singh, Taj	Spar
Smith, Colin	Scottish Wholesalers Association
Williams, Dennis	Booker Premier Edinburgh
Williams, Linda	Booker Premier Edinburgh

NON-MEMBERS	
Name	Company
Cambridge, Lyndsey	The Grocer
Delnevo, Ron	Retail consultant
Lal, Hussan	NFRN
Lynas, Matthew	Scottish Grocer
Millar, Joanna	Gilson Gray
Razzaq, Mo	NFRN