

## Impact of Bank Closures

### Which?

#### Background

Which? is the largest consumer organisation in the UK with around 1.7m members and supporters, and of these, around 140,000 in Scotland. Which?'s mission is to make individuals as powerful as the organisations they have to deal with in their daily lives, by empowering them to make informed decisions and by campaigning to make people's lives fairer, simpler and safer.

Which? is pleased to be able to give evidence to the Economy Committee. Access to banking is an important issue that resonates with many of our members and supporters across the UK. Which? regularly covers the issue of bank branch closures in its magazines, and it we regularly publish information and ratings for the best and worst banks, based on criteria such as customer services, and we regularly test banks' online banking security to help those who are delving into online banking as a result of branch closures.

Which? was a member of the Campaign for Community Banking Services, and in 2014, was involved in shaping the Access to Banking Protocol, emphasising the importance of maintaining consumers' access to vital banking services no matter where they live. In early 2018, in partnership with the Federation of Small Businesses (FSB), Which? launched the 'Save our cashpoints' campaign, in response to proposals from LINK, the cash machine network, that threaten the future of free-to-use ATMs. Given the significant numbers of bank branch closures over recent years, we are concerned that some consumers and businesses – particularly in remote areas - could be left without access to basic banking services.

#### Scale and impact of branch closures

Research from Which? showed that between January 2015 and January 2017, 1,046 bank branches across the UK were closed. We found the regions with the most bank branch closures per 100,000 people are Wales, South West England and Scotland - all of which have extensive rural areas. As more banks continue to disappear from our high streets, there is the risk that those who are dependent on these locations and the essential services they provide are forgotten and left without an alternative option.

Which? research in 2015 highlighted the importance of banks introducing alternatives for customers:

Four in ten (41%) people said they used the local branch of their high street bank at least once a month.

37% said it would inconvenience them if their local high-street bank branch closed and three in ten (30%) said they would consider switching banks - showing the importance of introducing alternatives for customers.

The most popular alternatives for consumers, if their high-street bank closed, were: ATMs providing other services (41%); the bank operating in another location e.g. supermarket (39%); banking provided in the Post Office (35%); or shared branches (35%).

Bank Branch and ATM closures

Evidence to the Economy, Jobs and Fair Work Committee

## Connectivity

While many consumers used online banking last year in the UK, there are still many that do not. That number covers people who cannot bank online, those who do not want to bank online, and those who are unable to bank online due to poor broadband connection. The issue of poor digital connectivity in some parts of Scotland is an important consideration in this debate. Scotland has made significant progress in coverage of superfast speeds – from 83% to 87% in the last year, according to Ofcom's 2017 Connected Nations report. However, Scotland continues to play catch up, and lags behind the rest of the UK with a 4% difference to the UK-wide average. In analysis of speed tests using Which?'s online speedchecker tool broken down by local authority, we found that people were experiencing the slowest broadband speeds in three local authorities in Scotland (Orkney Islands, Shetland Islands and Highland). Therefore, an assumption that people will be able to find online alternatives to high street banks is not always borne out in practice.

## The Access to Banking Protocol

Although branch closures are a commercial decision for a bank, banks have a responsibility to meet the needs of the customers and communities they serve. If banks make the decision to close branches then it is vital that they engage with their customers to help them find alternative ways to bank. They should offer more support to older customers, as well as small businesses that need to bank cash takings.

In 2015, Which? worked with the UK Government and the banking industry on a new protocol on branch closures, to ensure the industry did what was right for consumers, and not necessarily what was easiest for banks. The protocol required banks to work with local communities to establish the impact of a branch closure before they close. It set out how banks should clearly set out what alternative services will be provided, as well as how changes will be communicated to customers, including special provisions for the most vulnerable.

Which? pushed for a review of the Protocol, ensuring that banks were following the Protocol and making decisions in a transparent, objective manner, based on a set of outcomes and clear processes, measuring impact and involving stakeholders. This review, conducted in 2016 by Professor Russel Griggs, found that the approach taken by the banks to address the impact on local communities was effective to some extent but significant improvements could be made in a number of areas, including the way closures are communicated. The review recommended that banks should "strive harder through branch and other channels to encourage their customers to move to the most effective way of doing what the customer needs to do and help them in doing that in all branches whether they are for closure or not."

Two years on since the Griggs Review, many consumers remain concerned about bank branch closures in their local area. It is critical that banks ensure that consumers' access to essential banking services is maintained.

## ATM closures

A key consideration for consumers in communities affected by bank branch closures is their ability to maintain easy access to cash. The importance of free-to-use cashpoints in these areas is therefore considerable.

In January 2018, the UK's largest cashpoint network, LINK, announced plans to reduce the interchange fee (the amount paid every time a customer uses a free ATM, which in turn funds the free-to-use ATM network) by 20% over the next five years. This change could result in the closure of thousands of ATMs across the UK, as they become no longer financially viable. Which? then launched the Save our Cashpoints campaign in partnership with the Federation of Small Businesses (FSB). We are seeking assurances that all consumers can maintain access to free-to-use ATMs and can continue to use cash, as for many, it remains their preferred and sometimes necessary payment method.

### **Likely impact on ATM provision in the UK and Scotland**

It is very difficult to estimate how many, and which, ATMs are at risk of closure. However, the impact is likely to be most keenly felt in rural area and deprived urban areas, where free-to-use ATM coverage is already poor, and where specific groups of consumers – notably the elderly and those on low-incomes, rely on cash. The threat of ATM closures therefore creates a high level of uncertainty and worry for consumers and communities. LINK's proposed plans have already led to wide-ranging estimates of the likely impact on total ATM numbers, including;

- LINK's own advisers (KPMG) says that 8-18% of current remote free ATMs could close;
- LINK says will be 1-11%;
- The PSR/Europe Economics says 0.3%-6.2%.

In 2018, Which? conducted a study of ATM provision across the UK and identified over 200 communities in Britain with poor ATM provision, or no cash machines at all, which might be hardest hit by proposals that could reduce the network. Our analysis of LINK data on over 70,000 cash machines across the UK found that 123 postcode districts did not appear to contain a single ATM, with a further 116 postcode districts with just one ATM, 37 of which charge a fee.

### **Shifting incentives from urban to rural provision**

LINK has said its proposals will reduce the number of cash machines in areas where there are too many ATMs, while securing the future of free ATMs and improving the geographical coverage of ATMs across the UK.

However, LINK is not just proposing to reduce interchange in city centres, but is reducing interchange in all locations, with the small exception of ATMs that currently fall under LINK's Financial Inclusion Programme or are more than 1 km from the next free ATM. Such locations represent just 1,879 ATMs, less than 3% of the total LINK network<sup>1</sup>. Whatever protections LINK puts in place, there is still likely to be widespread reduction in all other ATMs across the remaining 97% of LINK's network, including remote and rural locations, and suburban and urban locations, many of which may be already under-served by ATMs.

While LINK has made assurances that vulnerable consumers and remote ATMs will be protected, Which? is concerned that LINK cannot guarantee that its protections will work in practice. For example, simply exempting individual cashpoints from the interchange fee cut might not save them. If an operator has 50 ATMs in an area and the most isolated one is

---

<sup>1</sup> 1 Source: LINK Consumer Council Annual Report 2017.

protected from the cut but the other 49 are not, then it might make the entire network route financially unviable.

We are also concerned that there is no robust framework or system for identifying cash machines under threat, or assessing the level of subsidy that might be needed to ensure at risk ATMs remain open where they are needed. LINK has also committed to publicly monitor the impact of its proposals; report on free ATM availability; and highlight any areas where free ATM availability is lost. However, simply monitoring the detriment is not an acceptable position - consumers cannot wait for their access to cash to be removed before remedial action, as it will be harder to replace ATMs once they are removed.

### **LINK's Financial Inclusion Programme**

LINK runs a Financial Inclusion Programme to ensure that all consumers have free access to cash. It works by subsidising low-income areas to ensure that all have at least one free ATM. The subsidy is paid via a 10p interchange premium available to any low-income area that does not have a free ATM within a kilometre of it. LINK claims it "has proven very successful in incentivising operators to provide free ATMs across the country", however, the programme was first established over a decade ago and Which? is concerned that it may no longer be fit for purpose.

### **Use of cash**

LINK has assumed a decline in consumers' use of cash, and that overall the numbers of cash machines should therefore close. However, cash remains the most widely used payment method in the UK, with 2.7 million people relying almost entirely on cash. Bank of England figures show a 10% increase in the demand for banknotes in 2016, representing the fastest growth in a decade.

A Which? survey of over 46,000 supporters in the UK found that 89% rely on free cashpoints. Of these, 40% say that they withdraw money once a week, with a further 32% withdrawing cash once every few days. The main reasons cited for withdrawing cash were some shops only accept cash (41%) and that using cash helps with budget management (36%). When asked whether they would be able to easily access cash should their nearest cashpoint close, almost half (46%) said that they would not.

### **Action by the regulator**

The Payment Systems Regulator (PSR) has a responsibility to promote competition, innovation and the interests of payment users. The PSR also has specific powers to vary payment system rules, including the level and structure of charges, such as fees and rules.

We remain concerned about LINK's ability to deliver on its commitments due to commercial pressures from members, including the banks, and to guarantee continued easy and free access to cash for all consumers. The threat of banks leaving LINK in favour of VISA and Mastercard, who have recently cut their ATM interchange fees to c.30% lower than LINK's is a key driver. We therefore believe the PSR has a clear duty to review whether LINK's plans are compatible with the PSR's regulatory objectives, and conduct a wider market review to explore how to ensure consumers will continue to have free and easy access to cash in the future.

This review should:

- Explore the provision of free ATMs and the short and long-term implications of LINK's decision;
- Review LINK's Financial Inclusion Programme to ensure it still reflects the needs of consumers. The scheme was first established over a decade ago and we are concerned that it may no longer be fit for purpose;
- Examine what long-term alternatives are available to consumers if the removal of free ATMs continues to threaten access to cash.

**Which?**

**Comments from Which? supporters in Scotland on news that ATMs may close:**

“Clydesdale bank has closed my two nearest banks and I now have a 42 mile round trip to get to my bank... and now they are thinking of fewer cash machines!”

“There is only one cashpoint left in my local village. If it goes it will cost me in either cash for the bus (not cheap these days) or petrol and parking charges if I have to go to my nearest city, Glasgow.”

“I live north of Inverness and the Bank of Scotland is closing banks in our villages despite the fact that there is a huge number of houses being built. They are also taking away the cash machines. RBS is doing the same and our MP [redacted], has been working really hard to keep the latest bank from closing. They are also closing the ATMs. We received letters from RBS saying how wonderful they are because they will teach us all to do online or phone banking, but what happens to those who don't want to do that or don't have a computer? Amazingly, not everybody does!”

“Troon, Ayrshire is a prosperous, medium-sized town of some 16,000 inhabitants and yet we have lost three bank branches in one year and with them their cash machines. While other ATMs are still available in the town one wonders how many more are in danger. The closing of my bank in the town is a real inconvenience. Cheques paid in via the post office take a week to appear in the account. How businesses pay in their cash must also be a problem. I am supposed to drive 7 miles now to go to "my" branch. It's called service.”

“I heard about this but I was dreading it taking place. I'm disabled and I need the cash point nearby or else I have to travel by bus six miles. So come on, give us a chance. It's not only that we live out by the country - we have two cashpoints already taken away by our bank from here.”

“First we lost the local sub-post office and then the only bank branch, which had an external ATM. The building was reconfigured to retain the ATM but then sold to a private buyer. The ATM experienced a fault, which was not repaired for several weeks and until representations were made to the bank's head office, including a direct letter to the CEO from our MP. The excuse was that 'access to repair was denied'. We still don't know what this means. There is another ATM at a Co-op mini-supermarket but it seems to be prone to breakdown. For the time being there is an ATM service, but recent experience suggests that future is uncertain.”

“I'm disabled and the only cash point we have here is the one in the only shop we have left in the village. Thank God we have a car, because I can't go on buses due to my ill health so I pray they leave the cashline we have. Apart from the one in the shop the next ones at Falkland, 3 miles away, or Muchty, 2 miles away - apart from that, 7 miles to Glenrothes. There's no way I'm using my bank card all the time, we get muddled how much money we've spent in our current account. We have a current account, a saving account and a joint account, usually we don't keep a lot of cash in our current account as it's for buying groceries, so we need to take out money and check the bank at the cashline to see how much we have left in the account. We need our cashline machines, please keep them.”

“I live in a small village with no amenities. Two local banks, in two local villages, are going in May 2018, taking cash machines with them. Only one large village will have Co-op and Sainsbury's ATMs. Will they be free? Otherwise there is no local access to cash. I hasten to add our local butcher does not even take cards or cheques, cash only. NIGHTMARE!”