

Agenda – Economy, Infrastructure and Skills Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: 27 June 2019

Meeting time: 09.25

For further information contact:

Gareth Price

Committee Clerk

0300 200 6565

SeneddEIS@assembly.wales

Private pre-meeting

(09.25–09.30)

1 Introductions, apologies, substitutions and declarations of interest

2 Paper(s) to note

2.1 Further information from the Minister for Economy and Transport re Electric Vehicle Charging Infrastructure in Wales

(Pages 1 – 2)

Attached Documents:

EIS(5)–18–19(P1) Further information from the Minister for Economy and Transport



2.2 Written question for answer by the Minister for Economy and Transport re Community Banking

(Pages 3 – 4)

Attached Documents:

EIS(5)-18-19(P2) Written question for answer by the Minister for Economy
and Transport

3 Access to Banking: Community Banking

(09.30-10.30)

(Pages 5 – 32)

Mark Hooper, Board Member, Banc Cambria

James Moore, Chairman, Community Savings Bank Association

Attached Documents:

EIS(5)-18-19(P3) Research Briefing

EIS(5)-18-19(P4) Evidence from the Board of Banc Cambria

Break

(10.30-10.45)

4 Access to Banking: Regulators

(10.45-11.30)

(Pages 33 – 39)

Chris Hemsley, Joint Managing Director, Payments System Regulator

David Pickering, Chief Executive, Lending Standards Board

Attached Documents:

EIS(5)-18-19(P5) Evidence from the Payment Systems Regulator

5 Access to Banking: Impact on Communities

(11.30–12.30)

(Pages 40 – 45)

Valerie Billingham, Policy and Campaigns Manager, Age Cymru

Derek Walker, Chief Executive, Wales Co-operative Centre

Lee Phillips, Wales Manager, Money Advice Service

Valentine Mulholland, Senior Policy Manager, Money Advice Service

Attached Documents:

EIS(5)–18–19(P6) Evidence from Age Cymru

Private de-brief

(12.30–12.35)

Ken Skates AC/AM
Gweinidog dros yr Economi a Thrafnidiaeth
Minister for Economy and Transport



Llywodraeth Cymru
 Welsh Government

Russell George AM
 Chair
 Economy, Infrastructure and Skills Committee

SeneddEIS@assembly.wales

17 June 2019

Dear Russell

Thank you for the opportunity to attend the EIS Committee's Electric Vehicle Charging Infrastructure in Wales on Wednesday 15 May 2019. Please find below further information that you have requested.

The Office for Low Emission Vehicles has provided the following details on the uptake electric vehicle charge point grants in Wales. Two Welsh authorities, Cardiff and Carmarthenshire, have applied to the on street residential charge point scheme. A further local authority is close to submitting an application.

The following installations have been funded under the Workplace charging scheme.

Area	No. of Sockets Installed
Cardiff	19
Llandudno	15
Newport	14
Swansea	20

We have also requested data on the uptake of funding under the Electric Vehicle Homecharge Scheme. We will forward this on to the you, when officials receive this information.

Our national planning policy, Planning Policy Wales (PPW), now includes a new policy to encourage the uptake of Ultra Low Emission Vehicles (ULEVs), with a minimum of 10% of non-residential car parking spaces required to have ULEV charging points. The policy focuses on non-residential development to address people's concerns about not being able to top-up when using an electric car. The policy seeks to help people charge electric cars when at work or other destinations, such as shops or leisure facilities. It does not require residential development to include charging points, as this is something electric car owners can have installed themselves. Transport technology is also changing fast and we recognise that what is built today may not be the best solution in the future. It is likely that charging infrastructure technology will change and improve over time. We are, therefore, focusing on

ensuring the necessary infrastructure is in place to minimise the costs of installation in the future.

With regards to the planning aspect of EV charging points in Wales, recent amendments to the Energy Performance of Buildings Directive must be transposed by spring 2020. The Directive amendments set out electric vehicle recharging point infrastructure requirements for certain residential and non-residential developments. Our current intentions are to transpose these requirements through our devolved Building Regulation powers.

New permitted development rights for electric vehicle charging points came into force on 1 April 2019. The introduction of permitted development rights will facilitate the installation of a national network of electric vehicle charging points within both public and private car parking areas.

One of the priorities in the North Wales Growth Deal is the regional transport decarbonisation project. This project aligns with another of their priority schemes which focus on smart access to energy. The project will look at three pilot areas within the region and investigate opportunities to operate low carbon public transport systems, including the use of electric vehicles. The Welsh Government has provided grant funding to the North Wales authorities to undertake the feasibility work. Please also see link to the Transport for Wales remit letter.

<https://gov.wales/transport-wales-remit-letter-1-april-2019-31-march-2020>

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ken Skates', written in a cursive style.

Ken Skates AC/AM

Gweinidog dros yr Economi a Thrafnidiaeth
Minister for Economy and Transport

**WRITTEN ASSEMBLY QUESTION
FOR ANSWER BY
THE MINISTER FOR ECONOMY & TRANSPORT
ON 21 JUNE 2019**

Russell George (Montgomeryshire): Is the Welsh Government on target to establish the Community Bank of Wales by the end of this Assembly term? WAQ78416 (e)

Russell George (Montgomeryshire): Will the Minister state what progress has been made in order to establish the Community Bank of Wales? WAQ78417 (e)

Russell George (Montgomeryshire): Will the Minister state when we could expect to see the opening of the first branch of the Community Bank of Wales? WAQ78418 (w)

Russell George (Montgomeryshire):
Will the Minister state how much financial support the Welsh Government will provide to facilitate the creation of the Community Bank of Wales? WAQ78419 (e)

Russell George (Montgomeryshire): Will the Minister state how many branches of the Community Bank of Wales the Welsh Government wants to open by the end of this Assembly Term? WAQ78420 (e)

Russell George (Montgomeryshire): Will the Minister state the number of Community Bank of Wales ATM's the Welsh Government wants to install by the end of this Assembly Term? WAQ78421 (e)

Ken Skates: I am totally committed to doing everything possible to support and test the feasibility of creating a community bank in Wales and the Welsh Government is currently engaged with a number of stakeholders on this matter.

A stakeholder group has now incorporated a mutual society under the name of Banc Cambria and have submitted a proposal to Welsh Government requesting support to meet the cost of the early work phases. This seed finance will allow the group to recruit suitably qualified banking professionals with the aim of developing a business plan and submitting an application for a banking licence to the respective Bank of England agencies, the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA) during the next two year period.

At this stage officials from the Development Bank of Wales are supporting with an early stage market assessment and this will develop further as the business plan begins to take shape. It is therefore too early to provide detail on the various products and services that the future bank might offer or indeed where it will be located and details on the number of branches and ATMs that will open.

It goes without saying that establishing a bank is technically complex although Bank Cambria is working in partnership with the Community Savings Bank Association (CSBA) whose aim is to establish a network of community banks throughout the UK. The CSBA and has laid down much of the groundwork working with other groups seeking to establish community banks in the London, South West England, Avon & Somerset areas and I also understand that the Manchester area is now looking to follow suit.

Formal approval from the Bank of England is thought to be feasible within a three year time-frame. Thus the Community Bank for Wales could be open for business by end 2021, though more likely during 2022. The process should accelerate if and when the three community banks currently in the pipeline (London and the South West of England) succeed in their approvals and share learnings with the Banc Cambria team.

The project timetables are challenging and are reliant on others particularly the regulatory authorities the PRA and FCA but I am encouraged by the early work that has already taken place and not least the significant level of interest shown in other areas of the country to consider the community banking model as a means to provide continued banking services where they might otherwise not be available.

Agenda Item 3

Document is Restricted

Evidence from the Board of Banc Cambria

Summary

- Bank closures and an increasing use of withdrawal fees for ATMs are having a detrimental impact on access to banking services for individuals, communities and SMEs across Wales.
- There is evidence to suggest that the impact of bank closures is particularly felt by groups at increased risk of financial exclusion. Bank closures may disproportionately harm certain consumer groups such as older people or people in low-income communities. The less affluent, those with basic qualifications and the unemployed are particularly likely to rely on branches to manage their money. As mainstream financial institutions pull out of economically distressed areas they are replaced by more predatory forms of financial institution.
- The closure of ATMs and move to charging withdrawal fees is also having a negative impact on access to banking. One in five businesses report that they are less likely to use local businesses while some small businesses fear they would lose customers if their nearest cash machine was not operating.
- There is also a strong correlation between those at risk of financial exclusion and digital exclusion. As bank branches close and banking services move online these are the people who are most at risk of being left behind.
- Branch closures are also negatively affecting small businesses' access to banking services, particularly face to face advice. They are also negatively impacted by the move to fee-charging ATMs. There are also concerns about their ability to access digital services in areas with poor internet connectivity.
- Banc Cambria will be a co-operatively owned community bank for Wales. We have agreed a clear process for establishing the bank. We have agreed outline terms with the Community Savings Bank Association (CSBA) to utilise the community banking model (a bank in a box) they have developed.
- In consultation with the CSBA, the project has been split into four distinct project work-phases with clear timescales. These are detailed in our full response below.
- Community banks have an important role in regionalising and localising financial flows and keeping money in communities. At present, Wales lacks money supply infrastructure owned and controlled within its borders. By creating money and recirculating wealth within the Welsh Economy, a Community Bank has the potential to be a key agent in developing resilient and sustainable economies and communities.

Introduction

Banc Cambria was developed by the Public Bank for Wales Action Group. The Group formed Cambria Cydfuddiannol Limited (Co-operative Society) which is the project delivery entity (a Co-operative Society) for Banc Cambria, a Community Bank for Wales. The Wales Co-operative Centre provides the Group with secretarial support. The Board of Banc Cambria welcome the opportunity to respond to the Committee's consultation and are happy to provide any further information on the points raised in our response, and for our response to be in the public domain.

The current position regarding access to banking services in Wales, to include issues relating to financial inclusion and digital inclusion.

The variety of ways in which branch closures and access to free ATMs can affect local communities (for instance the impacts from a business, tourism, social, demographic and regeneration perspective).

Bank closures continue to have a detrimental impact on access to banking services for individuals, communities and SMEs across Wales. Office for National Statistics figures show that nearly 6000 local branches across the UK have shut since 2010, with around 13 million adults in the UK now living in areas where at least half of the local banks and building societies have closed.

There is evidence to suggest that this impact is particularly felt by groups at increased risk of financial exclusion. This includes those on low incomes such as single pensioners, long-term unemployed and those unable to work due to disability. The FCA noted that bank closures may disproportionately harm certain consumer groups such as older people or people in low-income communities.¹ The Social Market Foundation also found that access to financial services is likely to become the main barrier to financial inclusion, as the less affluent, those with basic qualifications and the unemployed are particularly likely to rely on branches to manage their money.² The University of Nottingham's Changing Geography of British Banks and Building Society's Networks also found that as mainstream financial institutions continue to pull out of economically distressed areas they are replaced by more predatory forms of financial institution.³

Following bank branch closures, ATMs become a lifeline in many communities. Yet consumer group Which? found that nearly 1700 machines in the UK started to charge withdrawal fees between January and March 2019. The economic impact of ATM closures could be considerable. Recent Which? research suggests that

- One in five (22%) consumers would be less likely to use local businesses
- One in seven (16%) consumers would find it more difficult to pay for products and services⁴

¹ Financial Conduct Authority, Strategic Review of Retail Banking Business Models <https://www.fca.org.uk/publication/multi-firm-reviews/strategic-review-retail-banking-business-models-annex-reports.pdf>

² Social Market Foundation, Balancing Bricks and Clicks: Understanding how consumers manage their money, <http://www.smf.co.uk/publications/balancing-bricks-click-understanding-how-consumers-manage-their-money/>

³ The Changing Geography of British Bank and Building Society Branch Networks, 2003-2012, http://eprints.nottingham.ac.uk/2199/1/ChangingGeographyofBritishBank&BuildingSocBranchNetworks2003-2012_FINAL.pdf

⁴ https://www.fsb.org.uk/docs/default-source/fsb-org-uk/cr_atm-inquiry_apr18.pdf?sfvrsn=0

Further research from FSB demonstrates the business impact of potential ATM closures, including:

- 9% of small businesses would lose over £50 a day in revenue from not having access to a cash machine
- 13% of small businesses fear they would lose customers if their nearest cash machine wasn't operating.⁵

There is also a strong correlation between those at risk of financial exclusion and digital exclusion. The National Survey for Wales (2016-17) showed that 15% of adults do not regularly use the internet in Wales with older and disabled people, those with limited qualifications and those on lower incomes still the least likely to use digital technologies. As bank branches close and banking services move online these are the people who are most at risk of being left behind. For example, only 38.7% of adults aged 75 and over have used the internet in the past three months and 93% of those aged 80 or over do not use internet banking.⁶

Branch closures are also negatively affecting small businesses' access to banking services. The FSB state that small businesses continue to rely on branches for services where face-to-face interaction is not easily replicated by alternative communication channels.⁷ For example, small businesses identify branches as an important source of advice, particularly in advance of major banking decisions. Closures create an advice gap in some communities with limited access to alternative support. In advising the People's Bank for Wales Action Group, Professor Gerry Holtham found that the withdrawal of local Bank managers and loan assessors, while reducing Banks' cost bases, is very likely also to reduce the local knowledge that would enable them to make loans based on qualitative and more deeply informed judgement. By restricting loan assessment to centralized spreadsheet-based processes it could reduce local lending and exacerbate any savings outflow from Wales.

There is also a continuing reliance on cash and cheques that remain rooted in the operations of both many small businesses and local economies across the UK. Restricted access to cash due to branch closures and insufficient numbers of ATMs can lead to a range of negative impacts including customers moving away from the local economy and towards other high streets where cash could be more easily obtained.

There is evidence to suggest poor and unreliable internet connectivity in areas affected by bank branch closures further compounding the difficulty in accessing banking for small businesses.. Activities such as processing a bill payment or registering for a service are often compromised as a result.⁸

In summary:

⁵ https://www.fsb.org.uk/docs/default-source/fsb-org-uk/cr_atm-inquiry_apr18.pdf?sfvrsn=0

⁶ https://publications.parliament.uk/pa/ld201617/ldselect/ldfinexcl/132/13206.htm#_idTextAnchor015

⁷ FSB, Locked Out: The impact of bank closures on small businesses
[https://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb-bank-branch-closures-\(final\).pdf?sfvrsn=0](https://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb-bank-branch-closures-(final).pdf?sfvrsn=0)

⁸ FSB, Locked Out: The impact of bank closures on small businesses
[https://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb-bank-branch-closures-\(final\).pdf?sfvrsn=0](https://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb-bank-branch-closures-(final).pdf?sfvrsn=0)

- Access to bank services has been obstructed by branch closures coupled with increasing use of withdrawal fees for ATMs. This is compounding issues of financial and digital exclusion for vulnerable groups.
- Branch closures are also negatively affecting small businesses' access to banking services, particularly face to face advice. They are also negatively impacted by the move to fee-charging ATMs. There are also concerns about their ability to access digital services in areas with poor internet connectivity.

To understand the potential process, benefits and challenges involved with establishing a community bank with multiple branches in Wales.

Process of establishing a community bank

Banc Cambria will be a co-operatively owned community bank for Wales. We have agreed a clear process for establishing the bank. We have agreed outline terms with the Community Savings Bank Association (CSBA) to utilise the community banking model (a bank in a box) they have developed. The society has sole rights to use the model within the defined territory (Wales). The CSBA model provides several small, medium and large sized branch solutions and includes a comprehensive online offering. The CSBA have negotiated preferential terms with KPMG to support our banking licence application. A letter of engagement has been developed between KPMG and the first four banks utilising the CSBA model, including *Banc Cambria*.

In consultation with the CSBA, the project has been split into four distinct project work-phases:

- Project set-up (April to July 2019): A short period in which the key parameters of the next two years are clarified; jobs roles are established and job holders appointed. It is also the time when the vision and personality of *Banc Cambria* is articulated and 'lived' for the first time - the tone of the organisation is set in this period. In line with the other banks being established elsewhere, an interim team will be established and contracted to deliver this four month phase. They will be appointed on the basis of merit, in an open and transparent manner, directly by the Board. The project plan will also be completed. This will be a business plan for the Board, pioneer members and investors expanding on timescales, deliverables, key risks, systems strategy, necessary networks and interfaces to external bodies identified, and detailed budgets.
- Pre-start (July 2019 - Dec 2020): The key phase (18 months), primarily focused on applying for our banking licences, raising funds and working up detailed plans for launch in March 2021 & product specifications. During this stage, the Feasibility and Demand Study will also be completed and an operational hub will be established. The product range will be defined, branded & specifications completed.
- Launch (Jan 2021 – Dec 2021): We would look to open a number of 'branch' types and channels to market across Wales. These will cover a mix of urban, rural, geographical spread, and branch types. We will also aim to open at least one branch where the customer base is evidenced as suffering particularly badly from financial

exclusion. We will work closely with CSBA to ensure all the equipment, processes, and products are rigorously tested prior to launch.

- Early stage consolidation (Jan 2022 - Dec 2026). This is the phase where the bank moves from start to sustainability and profitability

The management and governance of the bank will be wholly democratic and participative. We will require expertise at Board level, and will welcome nominations for election to the Board (Board 1.0 or 2.0 as defined later) from supportive and relevant bodies, including from the likes of Credit Unions, the Development Bank of Wales and others.

The bank will operate a flattened salary structure. The highest paid executives will be remunerated fairly, but not excessively. Front-line staff will be paid sufficiently to support a generally acceptable lifestyle. The ratio between highest and lowest paid staff will be set by the membership, will be sector-leading, and will avoid the bonus culture common to many banks. We will aim to be a Living Wage employer from the outset.

Benefits of establishing a community bank

Community banks have an important role in regionalising and localising financial flows and keeping money in communities.⁹ The Inclusive Growth Commission of the RSA recommended the setting up of regional banks as an important way to deliver inclusive growth in the UK. These banks redress regional inequalities, build financial inclusion, significantly increase the proportion of bank lending going to the 'real' economy and SMEs instead of the financial economy, build economic resilience, and herald a return to customer service, relationship banking and trust.

At present, Wales lacks money supply infrastructure owned and controlled within its borders. By creating money and recirculating wealth within the Welsh Economy, a Community Bank has the potential to be a key agent in developing resilient and sustainable economies and communities. In advising the People's Bank for Wales Action Group, Professor Gerry Holtham stated that there is evidence of serious gaps in the current Welsh financial system that leave businesses and individuals without financial services of the calibre they need.

Banc Cambria will focus on providing straightforward banking services to individuals and small and medium-sized businesses across Wales. Services, based around a low charge current account, will include micro loans and homeowner mortgages. *Banc Cambria* will not provide products that further exacerbate the economic inequalities evident across Wales. We will seek to ensure those furthest from access to financial services are not left behind. We know that those at the margins of our financial system often pay more for services the rest of us receive for free. *Banc Cambria* will ensure we operate a fair and transparent system of

⁹ Putting banking back in the hands of the people, <https://www.thersa.org/discover/publications-and-articles/rsa-blogs/2019/01/putting-banking-back-in-the-hands-of-the-people---the-role-of-regional-cooperative-banks-in-community-wealth-building>

charges, and we will actively work to end the 'Poverty Premium' where those with least, pay the most for essential services.

Challenges

The Community bank would not need subsidy to compensate for it taking risks on small businesses, and having high overheads by operating in marginal areas where other banks have withdrawn. Experience in Credit Unions and Community Development Finance Institutions (CDFIs) operating in other countries is that small loans from a sympathetic lender actually have a lower recidivism rate than medium sized loans from commercial sources. The experience of co-operative and community banks in other countries, many of which are over 100 years old, is that they are profitable in their own right, and need no public subsidy, because they operate prudently. Also, the business model proposed of working with existing financial institutions, can open up the availability of a range of high street outlets at low cost. Possible high street partnerships could include existing Credit Unions and CDFIs.

In summary:

- Community banks have an important role in regionalising and localising financial flows and keeping money in communities. At present, Wales lacks money supply infrastructure owned and controlled within its borders. By creating money and recirculating wealth within the Welsh Economy, a Community Bank has the potential to be a key agent in developing resilient and sustainable economies and communities.



PSR Submission to the Welsh Assembly Committee on Economy, Infrastructure and Skills inquiry into Access to Banking

Introduction

The Payment Systems Regulator (PSR) is the economic regulator for the payment systems industry in the UK. We regulate many of the systems that move people's money – including LINK, which connects most of the country's ATMs.

We have statutory duties, powers and objectives under the Financial Services (Banking Reform) Act 2013 (FSBRA – the legislation that created us). In summary, our objectives are to:

- ensure that payment systems are operated and developed in a way that considers and promotes the interests of all the people and organisations that use them
- promote effective competition in the markets for payment systems and services – between operators, payment service providers (PSPs – banks and others) and infrastructure providers
- promote the development of, and innovation in, payment systems, in particular the infrastructure used to operate those systems

As part of fulfilling our role, we're committed to making sure that people and businesses can access cash and, more generally, pay for things in ways that meet their wants and needs. We recognise that access to cash is about more than just ATMs, although our remit doesn't extend to wider banking or financial services, such as the provision of bank branches. This is a key reason why we work closely with central government, the Financial Conduct Authority (FCA), the Bank of England and other regulators and consumer groups to promote accessibility of payment systems as part of financial services generally.

We are a member of the newly established Joint Authorities Cash Strategy Group (JACS), chaired by HM Treasury. The Group will coordinate work to support nationwide access and help safeguard cash for those who need it. We would also welcome the opportunity to work on this with the devolved parliaments.

This submission gives an overview of our work and, where it's relevant to your consultation, on access to financial services in Wales.

Access to banking services in Wales – the current position

Including issues relating to financial inclusion and digital inclusion

Research shows that a significant proportion of the UK population continues to want or need to be able to pay for things with cash. We want to protect that choice being available. This means that there needs to be suitably widespread facilities for people to easily access cash. In the short-term this means protecting the current geographic spread of free-to-use (FTU) ATMs, while we explore what the options are to safeguard access to cash in the longer term, working with the other authorities which also have a role to play in this.

Over the longer term, further changes may be needed to protect access to cash. The work includes looking at the arrangements for how ATMs work into the future, and removing barriers to developing different ways of accessing cash (we discuss this below). We will also need to take account of the costs businesses face when they choose to accept cash, the overall cash system (including how cash is sorted and delivered around the country) and the interaction with other ways of paying.

Against the background of an increasing number of different payment methods, and increasing popularity of different ways of paying, cash use is declining across the UK. This has two important impacts, as summarised in the recent reports of the Access to Cash Review¹ (an independent review, funded by LINK, to consider consumer requirements for cash over the next five to fifteen years). In particular:

- it means that the costs of providing and operating the current network of FTU ATMs are being spread over a smaller number of transactions. This increases the average cost per transaction. The banks that provide personal banking services meet these costs each time their customers withdraw cash from another organisation's ATM, through LINK's interchange fee. This fee is ultimately part of the cost of providing 'free' bank accounts which allow access to the LINK network of ATMs.
- this reduction in cash usage affects how businesses choose to accept payments, as the costs of handling cash and of accepting electronic payments change over time. A particular issue here is the ability for businesses to deposit cash takings, and the associated cost.

Communities face reductions in local services, transport, shops and local bank branch closures. While bank branches are not within our remit, the aspect of local financial services impacted by our work is people being able to, both, access their cash and spend it.

¹ Access to Cash Review www.accesstocash.org.uk/media/1087/final-report-final-web.pdf

Access to free-to-use ATMs

We monitor the availability of free and pay-to-use ATMs in Wales, as we do across the UK.

ATM use – key facts and figures

Between March 2018 and 2019 in Wales²:

- the number of cash withdrawals fell by 4%
- the number of FTU ATMs fell by 10% (by 236 – from 2,517 to 2,281)
- the number of pay-to-use (PTU) ATMs increased by 1% (by 8 – from 724 to 732)

For comparison, between March 2018 and 2019 across the UK and Channel Islands:

- the number of cash withdrawals fell by 5.9%
- the number of FTU ATMs fell by around 8% (by 4,216 - from 54,343 to 50,127)
- the number of PTU ATMs fell by around 1% (by 180 - from 12,924 to 12,744)

In the last decade, the number of FTU ATMs in the UK grew by about 35% (to 52,000 in 2018, from 38,600 in 2008). The number of cash withdrawals from LINK ATMs peaked in 2012 and (as described above) has fallen every year since then.

LINK is a not-for-profit network, originally organised by banks to allow them to offer cash withdrawal services to each other's customers. Its membership comprises both banks and independent providers of ATMs (independent ATM deployers or IADs). LINK does not deploy or manage ATMs itself – it provides the connectivity and communication between ATMs and banks to allow people to withdraw their money in cash from any ATM on the network, regardless of the ATM's provider.

In late 2017, following a consultation, LINK announced a phased reduction in its interchange fee. This is the fee paid by a cardholder's bank when a customer uses an ATM not operated by their bank. LINK cut this fee to address the increase in ATM numbers against a backdrop of declining use of cash. Lower interchange fees, combined with falling withdrawals from ATMs, has reduced the income available to those that provide FTU ATMs.

IADs have cited these two factors as the reason why more FTU ATMs are closing or being converted to a charging basis by their operator.

² Data provided to PSR by LINK in May 2019.

PSR steps to protect access to free-to-use ATMs

LINK announced a commitment to maintaining the broad geographic spread of FTU ATMs across the UK in January 2018. We then asked LINK to:

- monitor the effects of its interchange reduction programme, and to take steps to protect that geographic coverage
- report to us on any changes in the Protected FTU ATM network and what it's doing to address them

In October 2018, we issued Specific Direction 8 (SD8)³, requiring LINK to do all it can to fulfil its public commitment. In response, LINK formalised and published its policies to protect FTU ATMs that are more than 1km from another FTU ATM ('Protected ATMs'), to help preserve free access to cash. Where a Protected ATM is known to be at risk of closure, LINK has established mitigation measures aimed at either making it more attractive to keep the ATM open, or procuring a replacement⁴ ATM if it has been closed.

SD8 places a requirement on LINK to report to us every month on:

- any developments in LINK's interchange strategy
- the size and changes of the ATM estate, including the number of:
 - FTU ATMs (in bank branches and remote)
 - PTU ATMs
- how the changes to the ATM estate compare with LINK's own expectations at the beginning of 2018

LINK also publishes a monthly footprint report on its website on changes in the Protected ATM estate.

As a result of our intervention in 2018, and ongoing monitoring its work in this area, LINK has taken a number of important additional steps to help meet its commitments. These include LINK:

- introducing a new 'super-premium' of up to £2.75 per transaction - increasing the interchange revenue from withdrawals for the majority of Protected ATMs
- starting to commission replacement ATMs directly, where the offer of an additional interchange fee fails to replace a Protected ATM which has closed
- raising additional funds from its issuing members to support its Protected ATM policies

Since LINK introduced the super-premium on 1 April 2019, the operators of around 1,800 Protected ATMs have become eligible for additional payments. LINK's stated aim is to prolong the viability and ongoing availability of low-volume Protected ATMs, to avoid closures and the need for replacement activities (which incur costs and cause an interim service gap for ATM users, potentially of many months).

³ <https://www.psr.org.uk/psr-specific-direction-8>

⁴ Note that LINK is not an ATM operator itself, but is the operator of the LINK network that connects ATMs to the banks / financial institutions that hold ATM users' accounts.

We continue to monitor LINK, including whether its policies, procedures and mitigation strategies are fit for purpose to preserve the broad geographic coverage of FTU ATMs.

Digital Inclusion and other methods

As noted above, our remit does not extend into wider banking or financial services. However, access to payments is an important part of this overall picture, and we work with the FCA in this regard.

Many people are happily using new, electronic ways of paying for things. However, for some consumers and some transactions cash remains the main, if not only, viable option. And in areas where there remain connectivity issues – including some remoter rural areas – digital alternatives may be less practical.

There are an increasing number of ways to pay for goods and services, which are proving popular alternatives to cash. Debit card payments became the most frequently used payment method in 2017. Other ways of paying with cards, such as contactless payments (including using mobile phones) have also developed and are increasingly being relied on by those making payments. Contactless payments comprised more than a third of total UK card transactions in 2018, a 27.5% increase from the previous year.⁵ Transactions which were traditionally dominated by cash are increasingly being made by other methods. This, however, raises issues around whether everyone is able to use these alternative payment methods.

There are also alternative ways of accessing and depositing cash, both developed and developing, including: 'smart' ATMs (which can, among other things, take cash and cheque deposits); different ways of providing cashback; generic bank branches; in-business 'smart' safes; and the provision by the Post Offices of personal and business banking services.

It is important to understand whether these developments will, in fact, address the challenges presented by the declining use of cash. With this in mind, we have commissioned research into small business and customer preferences between cash and other payment methods; and how people and small businesses access and deposit cash. Our research will build on the evidence presented in the Access to Cash Review.

Looking further ahead, the development of Open Banking and the implementation of the second Payment Services Directive (PSD2) also have the potential to lead to more varied and competitive ways of making digital payments.

While it is appropriate to promote innovation in a way which makes digital alternatives more inclusive (an area where the PSR's and FCA's remits overlap), we consider it likely that certain transactions and certain groups of consumers⁶ will remain reliant on cash for many years to come. Cash therefore remains an important part of the overall payments landscape.

⁵ Source: UK Finance.

⁶ Under s149 of the Equality Act 2010 the PSR must have due regard to the impact its decision making will have in relation to those with 'protected characteristics', being: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

How branch closures and access to free ATMs can affect local communities

Banking services

The FCA has recently conducted its Strategic Review of Retail Banking Business Models, the final report of which was published in December 2018⁷.

The review found that the trend in decreasing bank branch numbers at the national level is apparent in all regions of the UK. In 2012 UK regions had between 18 and 25 branches per 100k inhabitants, whereas in 2017 this had decreased to between 13 and 18 branches per 100k inhabitants.

The number of bank branches in Wales declined by 20.3% between 2012 and 2017 (from 729 to 581). The number of branches per 100,000 inhabitants fell from 23.7 to 18.6 over the same period (a fall of 21.6%). Notwithstanding this, Wales still has the highest coverage per capita of all UK regions (including Scotland). However, as the FCA notes, coverage on a per capita basis is only a proxy for access to branches, as travel distances to branch will play an important role too.

Financial inclusion - ATMs

LINK's original Financial Inclusion Programme was set up in 2006 and focused on providing incentives to ATM operators to provide FTU ATMs in areas of social deprivation. The social deprivation criteria LINK uses were reviewed in 2015 by Toynbee Hall, and changes were made, bringing another 957 areas across the UK into the programme.

Around 8,500 of the UK areas of social deprivation identified by LINK already had FTU ATM so did not need this additional subsidy. Of the 2,800 areas that did not have an FTU ATM, 1,900 areas have so far been resolved (i.e. have access to a FTU ATM) under LINK's programme, and around 900 have not yet been resolved. We understand that in some instances, the ability for an ATM operator to find a suitable physical site for placing an ATM has been an issue.

Remote areas

As set out above, LINK's newly developed Protected ATM policies are specifically aimed at preserving the ongoing availability of FTU ATMs that do not have another FTU ATM within 1km. The baseline for this policy is the spread of FTU ATMs as at 1 February 2018. It does not aim to install new ATMs in areas where no ATM existed prior to that date.

In areas that currently have multiple FTU ATMs (e.g. several on the same high street), we might expect to see some reduction in the number of FTU ATMs, as cash use declines. However, where the closure or conversion of an FTU ATM results in there now being a distance of more than 1km to the next FTU ATM, this may trigger the remaining FTU ATM to obtain LINK's protected status. 137 FTU ATMs (22 in Wales) have attained

⁷ <https://www.fca.org.uk/publications/multi-firm-reviews/strategic-review-retail-banking-business-models>

protected status in this way between July 2018 and March 2019⁸, bringing the total UK number of Protected ATMs to 2,502 (183 in Wales).

We will continue to monitor LINK's policies, and expect that its 'super premium' will provide greater financial incentives on ATM providers to limit further closures of Protected ATMs.

As of LINK's (latest) March 2019 Footprint report, 15 of the 183 Protected ATMs in Wales have closed. Of those 15, 11 have a Post Office branch nearby.⁹ Of the remaining four closed Protected ATMs in Wales, one is not available to the general public.¹⁰ LINK's policy is that it will not seek to replace ATMs in these circumstances.

LINK is targeting the remaining three closed Protected ATMs in Wales for replacement. For one of these, LINK will offer additional interchange to replace the closed Protected ATM. For the other two, LINK is directly commissioning replacement FTU ATMs.

Separately, free access to cash has been restored in two protected locations that were previously targeted for replacement in Wales, through the reinstallation of FTU ATMs.

⁸ This is based on LINK's March Footprint report, which was published on 13 May 2019.

⁹ LINK's policy considers a Post Office branch to be a sufficient substitute to an ATM, provided it is open at least five days per week. LINK does not seek to replace a closed ATM in this scenario.

¹⁰ This closed Protected ATM is located in a workplace.



Consultation Response
Access to Banking
Economy, Infrastructure and Skills Committee
May 2019

Introduction

Age Cymru is the leading charity working to improve the lives of all older people in Wales. We believe older people should be able to lead healthy and fulfilled lives, have adequate income, access to high quality services and the opportunity to shape their own future. We seek to provide a strong voice for all older people in Wales and to raise awareness of the issues of importance to them.

We are pleased to respond to the Economy, infrastructure and Skills Committee's inquiry into access to banking.

The current position regarding access to banking services in Wales, to include issues relating to financial inclusion and digital inclusion.

Banks and older people

Pensioners make up one-third of adults without a basic bank account¹ and 6% of households with someone aged 85+ have no bank or post office account.² For some people, their exclusion is the result of difficulty they face in opening an account because they do not possess the identification documents required, such as passports or driving licences.

Many older people with accounts find them difficult to use and have trouble accessing their money. Almost one-fifth of people aged 65+ use others to draw cash for them as a result of a variety of issues including their inability to access a physical financial services or to remember their PIN number. This decreases independence

¹ Department for Work and Pensions, Family Resources Survey 2014/15, 2016

² Department for Work and Pensions, Family Resources Survey 2014/15, 2016

and increases risk of financial abuse. Poor design makes it difficult for some older people to take up new banking technologies, for example telephone banking systems and security devices for internet banking.³

Over 130 bank branches have closed in Wales over the past 5 years.⁴ Post offices have the potential to provide a useful access point, especially in rural areas and most major UK banks now make their accounts accessible through the Post Office network,⁵ but many post offices have closed or are under threat of closure. We believe that the ability to make withdrawals and deposits (including cheques) from all current and basic bank accounts held with high-street banks and building societies should be mandated by the UK Government.

Personal cheques

Personal cheques remain a much valued form of payment for many older people with 500 million cheques written in the UK in 2015 and the total value of cheques written increasing.⁶ After significant campaigning, the Payments Council withdrew its intention to phase out the cheque clearing system by 2018 and banks are now looking to extend their life through introducing faster cheque clearing and cheque imaging. This is good news for some older people who are worried about how to protect themselves from the rising level of cybercrime and find it easier to budget by paying cash or cheque rather than via direct debit.

The Financial Conduct Authority (FCA) has an objective around the 'ease with which consumers...can access the services they may wish to use'. We believe this means that it is necessary for the FCA to make sure the market for financial services is providing accessible products which meet the needs of different consumer groups. This must include consideration of enforcing the continuing operation of cheques and other popular and accessible payment methods.

Credit unions

In Wales, the Welsh Government has been promoting the development of credit unions, which offer ethical savings and borrowing products, in order to provide an alternative to traditional banks and high-rate loan providers. The Welsh Government's aim is for credit unions to cover 6% of the population by 2020. This has the potential to improve access to financial products and services for older people in communities, and the needs of older people should be considered in the continued development of the credit union movement.

³ The Way We Pay, Payment systems and financial inclusion, Age UK, 2011

⁴ Walesonline (2017) Available @<http://www.bbc.co.uk/news/uk-wales-35708714>

⁵ http://www.postoffice.co.uk/branch-banking-services#withdrawals_&deposits

⁶ Payments UK (2015) The Future of Payments

Scams

Financial scams have been a particular concern in recent years. Scams target everyone; at least 150,000 people in Wales are believed to be victims of scams each year. In general older people suffer twice the detriment that younger people do and it is estimated that older victims lose on average £1200 each.⁷

Financial institutions have a key role in the prevention of scams and fraud. A key method employed by criminals committing fraud offences is to encourage the victim to attend their local branch in person to withdraw or transfer money out of their account. It is not uncommon for the fraudster to accompany the victim. The Banking Protocol is a multi-agency initiative introduced by UK Finance, aimed at identifying customers who are in the process of being defrauded and implementing safeguarding procedures to prevent their repeat victimisation and further loss of funds.

The Banking Protocol aims to ensure that bank staff are able to recognise and have the confidence to question unusual transactions, and to provide a standardised methodology for managing these concerns and reporting cases to the police. The Banking Protocol was rolled out in a phased approach, starting with the Metropolitan Police and London branches in October 2016. In 2017, the Banking Protocol saved £11.5m across participating banks and building societies and resulted in 116 arrests.

Take Five to Stop Fraud is a national campaign that offers advice to help everyone protect themselves from preventable financial fraud. Phase 1 was launched by Financial Fraud Action UK (now part of UK Finance) in September 2016. Phase 2 followed in September 2017, backed by the Home Office. Phase 2 focussed on increasing customers' confident challenge to help them feel empowered to question potentially fraudulent situations, using the memorable phrase 'My money? My info? I don't think so.'

Age Cymru, together with the Older People's Commissioner, is a founding member of the Wales Against Scams Partnership (WASP).⁸ WASP is working to help better protect people in Wales from scams and to support victims. We believe that Wales can lead in presenting a united front against scams and making itself a hostile country to scammers.

⁷ WASP Wales Against Scams Partnership (2016) Charter Against Scams.

⁸ <https://www.ageuk.org.uk/cymru/our-impact/policy/wales-against-scams-partnership/>

In September 2018 we brought together key stakeholders in the fight against scams and financial abuse at the WASP Summit in Swansea. A dedicated workshop explored the potential for banks to do more to prevent scams, including:

- Join National Trading Standards' Friends Against Scams scheme;⁹
- Explore locking down the majority of a vulnerable person's funds for a period (with consent) to encourage them to withdraw only what they need for that period;
- Regular, sustained training of all staff in financial fraud and scams;
- Create a clear mechanism for vulnerable customers to engage with banks;
- Targeted and plentiful Take 5 education and awareness;
- Make the number on the back of bank cards more visible;
- Review banking processes to ensure that safeguarding activities such as closing an account do not stop police investigations prematurely.

Digital inclusion

Digital exclusion is a major challenge for older people. As more services are made available mainly or exclusively online, there are real risks of increasing exclusion amongst older people. Technology can offer a vital portal to banking for older people but access and take-up remains low amongst older age groups. The National Survey for Wales 2017-18 highlights that only 40% of people aged 75 or over used the internet.^[1]

Organisations are increasingly operating and providing services online, but for many older people who are not online, reductions in the information, advice and services available through traditional channels has created barriers in being able to access key services and information such banking and finance.

In particular, while high street bank branches are becoming increasingly proactive in scams prevention, detection and safeguarding, the same is not the case for online banking.

We believe:

- Banking is an essential service. The UK Government should ensure that all consumers and the businesses, clubs and societies on which they depend have a convenient, safe and affordable way to receive, store and make payments.

⁹ <https://www.friendsagainstscams.org.uk/>

^[1] Welsh Government (2018) Statistical Bulletin. National Survey for Wales, 2017-18. Internet use and digital skills. <https://gov.wales/docs/statistics/2018/180822-national-survey-wales-2017-18-internet-use-digital-skills-en.pdf>

- All current and basic bank accounts must be fully accessible at post offices and banks should consider sharing branch networks in areas where the viability of their network is at risk.
- The Financial Conduct Authority should have an obligation to ensure that cheques and other essential consumer payment services remain accessible and useable.
- Banks should ensure powers of attorney and deputyships are dealt with correctly, swiftly and sensitively; that third party mandates are available and accessible and that current accounts offer second cards with separate PINs.
- The Welsh Government should encourage diversity in the banking and financial market, for example through continuing to help develop credit unions.

The variety of ways in which branch closures and access to free ATMs can affect local communities (for instance the impacts from a business, tourism, social, demographic and regeneration perspective).

In October 2018, Age Cymru participated in a workshop as part of the Access to Cash Review funded by the Link cashpoint network and led by Natalie Ceeney CBE.¹⁰ Prior to this, we consulted the Age Cymru Consultative Forum of older people, to gather evidence for the review. Consultative Forum members told us:

- They believed demand for cash would “massively reduce” over the next fifteen years;
- They saw the signs around them already – “even car parks are going cashless”;
- “There will always be a need for cash – smaller places will always need it”;
- “And you will always need cheques”;
- On the other hand – “Cruises are cashless societies, so we’ve already been doing it!” “If it was possible to have everything contactless, why would we need cash?”
- “So many places are not going to function, like my church. How will people donate a pound or two?”
- “If the window cleaner does 20 houses every day and only three of them have cash to pay him, he’s going to get a payment machine.”
- Changes in the way pensions are paid means that pensions will now be paid directly into a bank account and pension cards are being withdrawn. Local post offices are now saying that it may no longer be viable for them to offer pension withdrawals. This means that people without access to a local bank may now lose access to post office withdrawal facilities;

¹⁰ <https://www.accesstocash.org.uk/>

- “Technology is being forced on people. I don’t want to have to use technology if I don’t want to.” “I don’t trust technology. Younger people trust it implicitly, but I can’t.”
- Older people still prefer cheques and cash to electronic payments. They don’t want to know someone else’s bank account details, as they regard this as a breach of privacy. Cheque stubs often provide a better record of expenditure than bank statements, as it can be difficult to identify the expenditure from the data given.

To understand the potential process, benefits and challenges involved with establishing a community bank with multiple branches in Wales.

Age Cymru Consultative Forum members told us:

- (In a cashless society) every card, bank account, post office account, credit card would have to be as universal as cash.
- (In response to a question about additional regulation) “Why would there be rules? It’s my money.”
- “They should be obliged to make sure every community has access to cash.”
- “There was a Cash Act in force until the 1990s under which people had the legal right to be paid in cash. The removal of this resulted in the current pensions situation – we need a new Act.”
- “There should be a Bank Retention Act to ensure that there is at least one bank in every community. Different banks should share the same premises to reduce overheads.”

And, in response to the question of how access to cash should be paid for in a cashless society:

- “I certainly won’t pay to get my own money out of my account – I’d walk miles to find a machine that doesn’t charge.”
- “The banks themselves should pay for continued access to cash – they are the wealthiest stakeholders.”
- “We should remember that the taxpayer has subsidised much of the banking industry recently and so we can make some demands to support older people.”