

Minutes

FCA/PSR Access to Cash – Steering Group

18th December 2020

Location: The meeting took place via video/audio link

Attendees:

Name	Organisation
Sheldon Mills (Co-Chair)	FCA
Chris Hemsley (Co-Chair)	PSR
Mark Chidley	Chair – Working Group 1
Helen Grimshaw	Chair – Working Group 2
Kate Fitzgerald	Chair – Working Group 3
Chris Pond	Chair – Working Group 4
Sulabh Agarwal	Accenture
Graeme McGregor (Secretariat)	Accenture
Nicholas Butt (Observer)	Bank of England
Niamh De Niese	Barclays
Brian Morris	BSA
Richard Cooper	Cardtronics
Liam Curran	Danske Bank
Russell Galley	Halifax
William Morello	Her Majesty's Treasury (HMT)
Laura Mountford	Her Majesty's Treasury (HMT)
Mike Bamber	HSBC
John Howells	Link
Tamsin Byrne	Metro Bank
Tom Riley	Nationwide
Marcelino Castrillo	NatWest
Charlie Evans	Note Machine
Martin Kearsley	Post Office
Adam Bishop	Santander
Mark Loch	Tesco Bank
Amanda Bell	TSB
Eric Leenders	UK Finance

FCA: Ed Smith, Alex Roy, Marc Maxfield, Harriet Hill, Tanya Surendra, Mark Bethell, Joan Amo, Marie Roberts, Holly Elliott, Henrik Blank, Luke Charters

PSR: Hugh Mullan, Will Archdeacon

Apologies: N/A

Item:

1. Introductions

The FCA co-chair welcomed members to the meeting.

The FCA co-chair referenced the University of Bristol study which highlighted that, whilst there is relatively good access to cash in the UK today, this could deteriorate quickly due to declining cash usage and the cost of maintaining the existing cash infrastructure. The FCA co-chair then highlighted the key takeaways from the stakeholder roundtable on 4 December:

1. There was support for the work undertaken so far
2. There is a need to support consumers with the adoption and transition to digital services
3. The value of a single location for banking and/or cash services for consumers and SMEs
4. The value of a UK wide ATM network
5. The value of the post office network for financial services

The FCA co-chair reminded members that the proposals to be discussed in this meeting were the result of an industry review, do not represent government or regulator views, and regulated entities will need to ensure that any proposals are compliant with applicable domestic and international laws and regulation.

2. Problem statement

The working group 1 chair highlighted that the working group had looked to corroborate issues and trends identified through other relevant sources, understand how these are reflected in consumer and SME cash needs and the reasons for cash reliance. It was remarked that while cash needs were a dynamic issue before Covid-19, the pandemic has further accelerated potential problems in relation to access to cash.

The consumer needs highlighted through the working group process have included i) the need for cash for budgeting purposes; ii) the lack of access to a debit card; iii) where a person suffers from a disability which restricts them to only being able to use cash; iv) digital exclusion. For SMEs, the individual business owner characteristics come into play, for example where i) they may need cash to pay staff or suppliers; ii) customers rely on cash; iii) no digital infrastructure is available.

Members noted that a key point emerging through the working group process was that there is no single solution that will meet all consumer and SME needs, so a suite of solutions would be needed.

It was noted that it would be important to refer to ongoing research as this work progresses. The stakeholder roundtable was also seen as valuable in highlighting the desire for personal contact and the need to maintain a connection with people reliant on cash on a daily basis. There was agreement that, as noted by the FCA co-chair, there was strong perceived value in a 'one-stop shop' for consumers as well as SMEs.

3. Commercial considerations and shift to a distributed cash access model

The working group 3 chair highlighted that consumer and SME needs are central to the solutions outlined and proposed three pillars for cash sustainability to be maintained moving forward, which are dynamic and may change over time:

1. *Operational oversight*
2. *Commercial alignment and commitment*
3. *Legislation and regulation*

It was noted that the working groups had identified the need for an independent body to i) monitor solutions to determine positive and negative impacts; ii) review progress of the Community Access to Cash pilots initiative; iii) provide a mechanism for appeals and communities to submit requests for cash access; iv) define common standards for the market; v) undertake regulatory cost analysis of the various solutions. Members felt that the next steps should be to engage with stakeholders to develop a RACI matrix to enable the formation of a future body.

The importance of making the provision of cash services more dynamic through assessment and to determine the best solution was highlighted.

It was remarked that where gaps are identified or created, the need should be assessed before filling that gap with an equivalent solution(s) and that matching supply with the consumer and SME need was important to ensure the sustainability of the market.

4. Digital tools and solutions

The working group 4 chair outlined the aspiration of the group to identify ways of increasing the choice for people to access financial services. The group collaborated closely with Working Group 1 to understand whether digital propositions met consumer needs, but highlighted that some consumers have a strong preference for cash due to the control over budgeting and perceived security.

It was noted that there are a suite of tools and solutions already available, and others emerging, that highlight the challenge is not in the supply of digital services but on the demand side. This could be due to the cash preferences previously mentioned, or because consumers do not have the confidence and/or means to access these services.

5. Priorities and proposed next steps

The working group 2 chair outlined possible short-term and long-term initiatives against the three pillars for cash sustainability for further consideration:

Operational oversight, including:

- In the short-term, engage with stakeholders to develop a RACI matrix to enable the formation of a future body
- Continue engagement with consumer and SME groups to get feedback on evolving needs and potential solutions, both during and post-Covid
- Conduct economic analysis of the various recommended solutions
- Set-up an independent body on digital payment adoption

Commercial alignment and commitment, including:

- Establish a 'provider of last resort' in 2021
- Utilise the existing initiatives that financial services institutions already have underway to promote digital payment adoption in the short-term
- Secure commitment to a UK-wide ATM network for at least 5 years
- In the long-term, evolve the Post Office relationship along with the implementation of commercial and service oversight
- Review the feedback from the Post Office Banking Hubs as they continue to be piloted (during and post-Covid)

Legislation and regulation, including:

- Progress legislation where further help is needed to further enable cash services for consumers and SMEs
- Cashback without purchase is being reviewed as part of the recent HMT call for evidence

The FCA co-chair thanked the working group leads and all members for their contributions to date.

6. Discussion on the priorities and proposed next steps

The FCA co-chair invited steering members to provide comments on working group proposals:

- It was suggested that further data and analytics should be developed to develop defined benchmarks/targets of 'what good looks like' to ensure that industry addresses the required needs of consumers and SMEs as cash use declines. Further iterations of the University of Bristol analysis could be helpful in this regard, as this analysis was undertaken on 'pre-Covid' data. The FCA co-chair welcomed this suggestion and suggested the next phase of work should look to develop the 'critical success factors'. It was remarked that such factors are likely to be dynamic and will change over time (including the benchmarks/targets).
- The recommendation for a Digital Payments Review was discussed. There was discussion around the additional benefits this could bring, while noting there is an existing Digital, Culture, Media & Sport (DCMS) review underway with a focus on digital inclusion. The steering members considered that there was sufficient complexity in the financial services industry with regards to digital inclusion to justify a separate Digital Payments Review to run in parallel with the DCMS initiative. The co-chair acknowledged there should be alignment between the two bodies of work, with the DCMS review being cognizant of the specific needs of the financial services industry.
- The steering members discussed how the engagement built during this working group process could be maintained and extended to other stakeholders, including the public and media. The FCA co-chair acknowledged this and outlined that the next steps include creating a focussed group to work through the next phase of this initiative. Following this, the output of this review and next steps will be communicated.

7. Closing remarks

The PSR co-chair thanked members for their work and input over the past few months to reach this point. The PSR co-chair felt this had led to an improved understanding of the needs and vulnerabilities of some customers, solutions that could be immediately progressed as well as areas where legislative review may be required which would take longer to work through. The PSR co-chair noted that the FCA, PSR and government now needed to reflect on the proposals put forward, which would then inform the next steps.

Finally, the FCA co-chair noted that there would be further discussions held in January 2021 between the FCA, PSR and HMT to agree next steps, as well as continued engagement with relevant stakeholders.

8. AOB

None