



# Joint Authorities Cash Strategy

## (JACS) Group:

### Safeguarding the UK's cash infrastructure

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July 2020



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# Introduction

In spring 2018, the government initiated a discussion on payments through a Call for Evidence on Cash & Digital Payments in the New Economy. This sought to gather evidence on how changing preferences for cash and digital payments impact on different sectors, regions and demographics.

In May 2019, the government published its Summary of Responses.<sup>1</sup> This found that respondents expected the use of digital payments to grow over the next ten years, and cash payments to decline. It found that technology has positively transformed banking for millions of people, making it easier, quicker and more secure to carry out a wide range of financial transactions. Facilitated by government and regulatory action, digital payments continue to enable the development of new, innovative payment services.

However, the Summary of Responses also highlighted the importance of cash in many people's daily lives. It highlighted that the trends and impacts in the cash system can vary due to a range of factors, including geography. Furthermore, it noted that changing behaviours and preferences could place pressure on different aspects of the UK's end-to-end cash infrastructure.

It is clear that such changes in the way that people and businesses make and receive payments are set to continue. Cash withdrawals and use have fallen in Q1 2020 as a result of COVID-19, which could impact industry decisions on cash infrastructure. Despite the decline in cash use over recent years and during the pandemic, cash remains an essential payment mechanism for many.

Recognising these trends, the government committed to supporting digital payments whilst safeguarding cash for those who need it across the UK. The Bank of England, Payment Systems Regulator (PSR) and Financial Conduct Authority (FCA) also acknowledged the importance of ensuring that customers' payment needs are met across both digital methods and cash.

In early 2019, the government, Bank of England, PSR and FCA also welcomed the independent Access to Cash Review, chaired by Natalie Ceeney CBE, which highlighted the importance of a joined-up and coordinated regulatory approach to oversight of the cash system, as consumer behaviours continue to change.<sup>2</sup>

Therefore, as part of government's response to its Call for Evidence, it announced that the Treasury would create and chair the Joint Authorities Cash Strategy (JACS) Group.<sup>3</sup> Acknowledging the UK already has experienced and well-established

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<sup>1</sup> ['Cash and digital payments in the new economy', HM Treasury, March 2018.](#)

<sup>2</sup> ['Access to cash review: final report', March 2019.](#)

<sup>3</sup> ['Cash here to stay as government commits to protecting access', HM Treasury, May 2019.](#)

financial regulators, the Group brings together the Bank of England, PSR and FCA to ensure comprehensive oversight of the overall cash infrastructure across the UK. This is so that the UK's cash infrastructure remains resilient, cost effective, sustainable and can meet the needs of users, particularly in a future environment of lower cash usage.

At Budget 2020, the Chancellor built on existing interventions by announcing that the government will bring forward legislation to protect access to cash. This will ensure that millions of people, including vulnerable groups, can get hold of the cash they need when they need it. The government is engaging with stakeholders including the members of the JACS Group, industry, and consumer groups while developing legislation, ensuring that the approach reflects the needs of cash users across the economy, including individuals and small and medium enterprises (SMEs).

To ensure the provision of cash in light of the impact of COVID-19, including bank branch and ATM closures, the members of the JACS Group continue to work closely together. During this period, the FCA is convening a regular Banking Access Coordination Group (BACG), bringing together members of the JACS Group with industry to maintain access to essential banking services. The FCA has supported this by publishing their expectations on essential banking services and, with the PSR, their approach to maintain access to cash for consumers and firms.<sup>4,5</sup>

The members of the JACS Group are committed to ensuring that consumers and businesses who need to access and deposit cash can continue to do so, and welcome the critical work of industry to explore ways to develop a sustainable cash infrastructure to meet consumer needs. It is important that industry develop initiatives to support a broad and sustainable cash system and consider overall outcomes for consumers when making commercial decisions. This will allow the UK's cash infrastructure to adapt in order to be sustainable at lower levels of cash usage in the long-term.

The members of the JACS Group expect industry to continue to play a central role in ensuring that cash services are provided for those who need them, both now and in the future. Therefore, alongside the development of legislation, the FCA and PSR will work with stakeholders on how industry can provide an appropriate and sustainable model for accessing cash, for example, through wider use of shared services and further initiatives involving local communities. The Wholesale Distribution Steering Group (WDSG), chaired by the Bank of England, will support this by developing a new model that enables the demand for cash to be met efficiently and cost-effectively at the wholesale level.

This document provides an update on developments within the UK's cash infrastructure and the work of JACS Group members, including:

- how current regulatory oversight maps onto the end-to-end cash infrastructure
- key trends in the use of cash and in cash withdrawals and deposits

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<sup>4</sup> ['Banks, building societies and credit unions – branch access for essential services update'](#), FCA, June 2020.

<sup>5</sup> ['The FCA's and PSR's joint approach to access to cash'](#), FCA, June 2020.

- the state of, and key pressures on, the overall end-to-end cash infrastructure across the UK
- major industry initiatives that JACS Group members are tracking and engaging with, and what actions members themselves are undertaking

### Box 1.A: Headline actions

Members of the JACS Group will:

- inform the development of legislation to protect access to cash
- continue to ensure a coordinated regulatory approach to monitor trends, including the impact of COVID-19, and oversee the UK cash infrastructure
- undertake a public consultation over summer 2020 on potential end-state models for a new wholesale cash distribution system
- conduct qualitative research to understand the key reasons why some consumers have a greater need for cash and how those consumers access cash services
- conduct qualitative research into acceptance of payment methods by SMEs and the costs related to cash acceptance
- continue to support widespread access to free ATMs
- drive the continued development of effective local engagement schemes to help to identify local areas where cash needs may be underserved and address the issues
- develop a comprehensive map of access to cash across the UK, building on work initiated to identify local areas that have lost access to cash as a result of temporary closures due to COVID-19, to inform future work
- work with stakeholders to explore how industry can provide an appropriate and sustainable model of accessing cash and mitigate the impacts of changes to cash infrastructure, for example, through wider use of shared services and initiatives involving local communities, to ensure the cash access needs of consumers and SMEs are being met
- provide regulatory support for innovative solutions that are eligible and address the access to cash needs of consumers and SMEs



# Chapter 1

## JACS Group update

### Setting up the JACS Group

1.1 The JACS Group consists of HM Treasury, the Bank of England, Payment Systems Regulator (PSR) and Financial Conduct Authority (FCA).

1.2 Chaired by HM Treasury, the Group was established in May 2019 to inform and coordinate the activities of HM Treasury, the Bank of England, PSR and FCA related to cash. This is to ensure that regulatory oversight and activity supports a cash infrastructure that remains resilient, cost-effective, sustainable and can meet the needs of its users, particularly in a future environment of lower cash usage.

1.3 The Access to Cash Review, chaired by Natalie Ceeney CBE, highlighted that although the UK has well-established financial regulators, a joined-up regulatory approach to the UK's cash infrastructure is required. The JACS Group brings members together in a collaborative forum to facilitate dialogue and coordination of their individual responsibilities and activities. This includes informing the approach of each member through consideration of relevant evidence regarding cash and digital payments and, where appropriate, advising on key developments outside the payments industry or from countries outside the UK that may affect policy development in this area.

1.4 The Group does not affect the statutory responsibilities of individual regulators and is not itself a delivery group for regulators' individual activities.

1.5 In June 2019, the government published the Terms of Reference (ToR) for the JACS Group. This set out the objectives of the Group, its membership, the frequency of meetings, and details of the Group's secretariat.<sup>1</sup>

### Overarching trends in the UK's cash infrastructure

1.6 As more people utilise the benefits of digital payment methods, cash usage in the UK is declining. According to figures published by UK Finance (a trade body for the banking and financial industry), cash usage in the UK has fallen from 58% of all payments in 2009 to 23% in 2019.<sup>2</sup> Data from LINK, the UK's largest ATM network, shows that ATM use continues to decline year-on-year as people use digital payments for a greater proportion of their transactions.<sup>3</sup> Restrictions on consumer and business activity during the COVID-19 pandemic has contributed to a further decline in cash use. However, some groups of consumers have continued to

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<sup>1</sup> ['Joint Authorities Cash Strategy Group: terms of reference', HM Treasury, June 2019.](#)

<sup>2</sup> ['UK Payment Markets 2020', UK Finance, June 2020.](#)

<sup>3</sup> ['New data shows regional division in ATM usage', LINK, July 2019.](#)

rely on cash during this time for everyday activities and access will continue to be an essential service for them in the long-term.

1.7 Alternatively, digital methods of payment continue to see an increase in use. The number of contactless payments increased by 16% in 2019 to 8.6 billion payments, while 17 billion payments were made in total using debit cards.<sup>4</sup> The increase in the limit for contactless payments from £30 to £45 in early 2020 will give people the option to use this method of payment for higher-value transactions.

1.8 Although an increasing number of consumers rarely use cash and the vast majority of people have access to a debit card, many choose to still use cash instead of, or alongside, digital payment methods. Industry data indicates that 2.1 million people mainly use cash for their day-to-day purchases. For some, such as the unbanked, cash may currently be the only option.<sup>5</sup>

1.9 As a result, cash is still very much a part of the UK economy; 9.3 billion cash payments were made in 2019 and it remains the second most frequently used payment method after debit cards. No country in the world is entirely cashless. Even in Sweden, which is regarded as having one of the highest levels of digital payments adoption globally, cash is still used by consumers and businesses.

1.10 However, it is important that the UK's cash infrastructure adapts and is able to operate at the lower cash volumes expected in the future. This is not only because people and businesses typically view cash as a back-up should digital payment methods temporarily go down, but so that those who may be less able to benefit from the wider moves to digital payment methods are not left behind.<sup>6</sup>

1.11 The members of the JACS Group are clear that they expect the financial services industry to play a central role in ensuring that cash services continue to be provided for those who need them, both now and in the future. Industry is already taking steps to safeguard access to cash for those who need it, and individual firms have introduced initiatives to support their customers in response to COVID-19. However, industry must continue to adapt to changes in our economy and address the risks posed by falling cash usage in the long-term.

1.12 A key role for JACS Group members is to hold industry to account for its commitments to protect access to cash, scrutinising and supporting industry to deliver a coherent and sustainable long-term end-to-end infrastructure.

1.13 At Budget 2020, the Chancellor built on existing interventions and announced that the government will bring forward legislation to protect access to cash. This will ensure that millions of people, including vulnerable consumers, have access to cash when they need it. The government is engaging with stakeholders including members of the JACS Group, industry and consumer groups while developing legislation, to ensure that the approach reflects the needs of cash users across the economy, including consumers and SMEs.

1.14 Alongside the development of legislation, the FCA and PSR will work with industry on long-term solutions for cash access and engage with firms to explore

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<sup>4</sup> 'UK Payment Markets 2020', UK Finance, June 2020.

<sup>5</sup> In 2017, the Financial Conduct Authority published the results of the Financial Lives Survey which found that 1.3 million UK adults (c.2% of the population) were unbanked, i.e. have no current account or alternative e-money account.

<sup>6</sup> 'Access to cash review: final report', March 2019.

how they consider the needs of consumers and SMEs when making decisions on the provision of retail cash infrastructure. A nationwide map of access to cash will be developed from the mapping work created during the COVID-19 pandemic. The FCA's research on consumer needs for cash and SME acceptance will also inform future work.

1.15 As work to support access to cash for those who need it progresses, the JACS Group will continue to provide appropriate updates.

## In depth: UK cash infrastructure areas of interest

1.16 As set out in this update, JACS Group members are taking action to understand and address pressures on the UK's cash system. Annex A provides a map of the end-to-end cash infrastructure; from the creation of banknotes and coins, to withdrawal, usage and deposit.

1.17 The following sections of the document take a more in-depth look at the cash infrastructure areas of interest identified as part of this map, namely:

- A. Wholesale cash distribution
- B. Cash withdrawal
- C. Cash usage
- D. Cash deposit

1.18 Each of the following sections examines some of the major pressures in these areas, the trends which shed light on the state of each area, and the actions anticipated and underway to address the pressures identified.

1.19 This update also notes the close interaction between cash usage and digital payments uptake, though the latter is not a direct focus of the JACS Group.

## A. Wholesale cash distribution

1.20 In this update, wholesale cash distribution refers to the issuance of banknotes and coins (cash) and the process by which cash is issued to and processed in the UK's major cash processing centres, before it enters wider Cash in Transit (CiT).

1.21 The current wholesale cash distribution infrastructure has multiple operators and users and involves national networks competing across regions. However, with cash usage declining, over-capacity is emerging and the industry has been rationalising and consolidating in an ad-hoc manner to manage costs. This is expected to continue putting further strains on the existing system.

1.22 To ensure access to cash is safeguarded for those who need it, and consistent with the recommendations put forward in the Access to Cash Review, it is important that industry acts now to develop a new efficient wholesale distribution model for both banknotes and coins which will be effective, resilient and sustainable in this environment of declining cash use.

### Trends – wholesale cash distribution

1.23 Bank of England analysis suggests that, as cash usage falls, the wholesale sector will process less cash and require less space to store it. Following the launch of the new £20 note in February 2020, it is likely that the industry will move to remove excess capacity in the system. Commercial decisions made by individual organisations to remove excess capacity could compromise the overall cash distribution infrastructure, making it less able to support a broad cash footprint in the UK, or cope with potential changes in the demand for cash. This means that risks to the resilience of the wholesale distribution system are likely to grow over time.

1.24 There are currently four organisations operating national wholesale cash distribution networks. As cash volumes decline, the likelihood of unnecessary duplication of infrastructure is increased. Major regions are currently being served by multiple operators. As the level of fixed costs involved in running cash centres and distribution networks is high, unit costs will increase as volumes decline if no action is taken. Higher unit costs in the wholesale market are likely to have a knock-on effect to the cost of retail cash services, and therefore affect the incentives to use cash by both businesses and consumers.

### Actions – wholesale cash distribution

1.25 The Bank of England has convened the Wholesale Distribution Steering Group (WDSG) with relevant industry participants to agree on a new model for the wholesale distribution of cash in the UK, which will support continued access to cash in an environment of declining cash volumes (the 'end-state model').<sup>7</sup> In parallel, UK Finance has convened the Industry Steering Group, which will assess potential new models and bring forward proposals to the WDSG.

1.26 The WDSG brings market participants together to evaluate which potential models are: most effective in keeping the costs of cash competitive; most sustainable in their ability to adapt to various paths to lower cash usage, and to

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<sup>7</sup> ['Bank of England Wholesale Distribution Steering Group \(WDSG\) – terms of reference', Bank of England, September 2019.](#)

encourage innovation and competition while maintaining or enhancing access to cash services; and, most resilient to unexpected events. This includes an assessment of the relative merits of creating a “utility” model of the type seen in several other countries. In this context, a utility model is defined as a single consolidated entity formed by a number of organisations who wish the utility to provide access to the Note Circulation Scheme, Scotland and Northern Ireland banknotes and UK coin.

1.27 The WDSG has issued a public consultation on potential end-state models for a new wholesale cash distribution system, seeking feedback from the widest set of interested parties on the relevant impact of moving to a new model. The consultation will run over summer 2020.<sup>8</sup>

1.28 The work also considers the wholesale CiT system, where notes and coins are distributed to the UK’s main cash processing centres upon issuance.

1.29 Alongside the WDSG, the Bank will develop the system for oversight of the new model whilst it is being designed, enabling the WDSG to make model design choices that are consistent with effective oversight.

1.30 Once the Bank of England and WDSG have considered the consultation responses, the Bank of England and members of the WDSG, and other participants in the wholesale cash system, will each need to decide how to respond to the model set out in the consultation and the consultation responses, and on the future phases of work and the timescales for those phases. If some or all participants agree to proceed with a new model, the following broad phases of work would be expected:

- establish – this stage of work is intended to cover work required ahead of final decisions by individual future participants of the utility, relating to the execution of the utility set-up; this phase is expected to run from the end of 2020 and take up to six months
- execute – this phase is likely to encompass a 12-month period, to allow for preparatory work required ahead of go live; detailed process design work and testing would occur during this phase to ensure the utility effectively operates once live
- operate – this phase encompasses a nine-month period and beyond, to start the operation of the utility and conduct the efficient and effective running of it

1.31 Beyond the wholesale distribution of cash there are smaller, local depots, which serve financial institutions, ATMs, large retailers, the Post Office, etc. The operations of these commercial (‘retail’) CiT companies are not directly supervised by a JACS Group member. This is consistent with the situation in many other countries that also have relatively concentrated markets in the transportation of cash.

1.32 However, the critical banking services that such companies provide are considered from a resilience perspective as part of the Bank of England’s supervision of banks and building societies. Therefore, to the extent that a bank’s outsourcing arrangements with retail CiT companies are *material* and cash services are a *critical economic function*, they are subject to Bank of England regulatory requirements

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<sup>8</sup> [‘Wholesale cash distribution in the future’, Bank of England, June 2020.](#)

covering, among other areas, business continuity planning and outsourcing and third-party risk management. The Bank of England is currently consulting on updated expectations on outsourcing and third-party risk management.<sup>9</sup>

**1.33** The Bank of England, in coordination with industry, has also supported the development of a Cash Industry Incident Response Playbook. The Playbook establishes a high-level coordinated response framework in the event of a cash-related incident with pre-determined roles, responsibilities and escalation procedures to maintain cash availability across the UK. It has been used in the coordination of the cash industry response to COVID-19 but also includes responding to the immediate short-term response in the event of the economic failure of major cash industry stakeholders, including CiT operators, or financial institutions.

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<sup>9</sup> [‘Outsourcing and third party risk management’, Bank of England, December 2019.](#)

## B. Cash withdrawal

1.34 There are several different ways people can withdraw or acquire cash once banknotes and coins have been created and distributed out into the economy. These are primarily:

- from Automated Teller Machines (ATMs)
- over the counter at bank or building society branches
- at Post Office branches
- through payments of benefits and wages
- from retailers offering cashback

1.35 Today, most people use ATMs to withdraw cash.<sup>10</sup> UK Finance figures show that, in 2019, 80% of cash withdrawals took place through ATMs.<sup>11</sup> Market research, commissioned by the PSR, found that 80% of people surveyed preferred free-to-use (FTU) ATMs to access cash as opposed to other methods of cash withdrawal.<sup>12</sup>

### Trends – cash withdrawal

1.36 As noted above, there are a range of different ways by which people can obtain cash. However, given that the majority of people prefer to access cash through ATMs, this access channel has been a key focus to date for JACS Group members.

1.37 At the same time as the decline in the number of cash payments, cash withdrawals from ATMs (both total numbers and total values) have fallen. For example, data on cash withdrawals over the LINK ATM network shows that the number of monthly cash withdrawals made across January-February 2020 declined by 21% compared with the same period (January-February) in 2017.<sup>13</sup> At the regional level, the decline has occurred across all regions in the UK, but was most pronounced in regions in the South of England (see Chart 1.A).

1.38 COVID-19 has resulted in a further decline in cash withdrawals in the short-term. In April 2020, transaction volumes through the LINK ATM network were approximately 60% lower when compared to the equivalent period a year ago. However, it remains to be seen how the impact of COVID-19 will feed through to long-term cash usage behaviours and people's cash needs.

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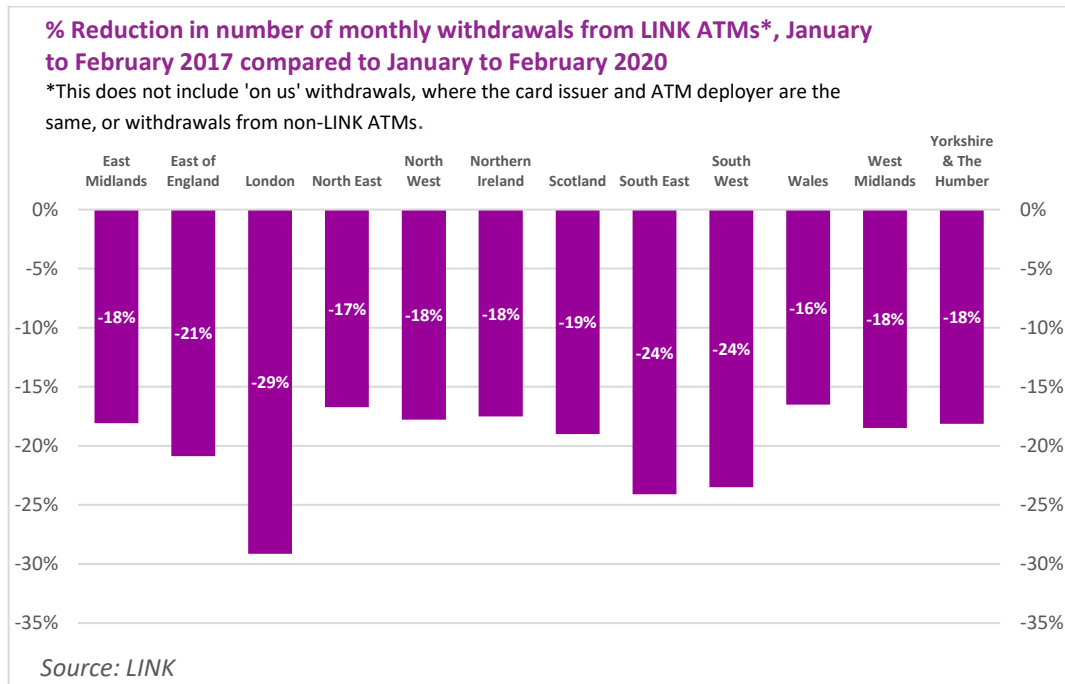
<sup>10</sup> ATMs refer to both free-to-use (FTU) and pay-to-use (PTU), unless otherwise specified.

<sup>11</sup> 'UK Payment Markets 2020', UK Finance, June 2020.

<sup>12</sup> 'Access to cash research with consumers and small businesses: Commissioned by the Payment Systems Regulator', Britain Thinks, July 2019.

<sup>13</sup> This data does not include 'on-us' withdrawals, where the card issuer and ATM deployer are the same, or withdrawals from non-LINK ATMs.

Chart 1.A: Change in LINK ATM cash withdrawal volumes by region



1.39 At the same time as falling ATM transactions, the number of FTU ATMs in the UK has declined by 17.5% from their peak in January 2018 to February 2020, after rising considerably between 2009 and 2017 (see Chart 1.B). As of February 2020, there were around 45,000 FTU ATMs in the UK, which is 6.7 for every 10,000 people. The number of FTU ATMs per 10,000 residents varies across the regions and nations of the UK (see Chart 1.C). This reflects geographic factors as well as distribution and issuing arrangements across different parts of the UK.

Chart 1.B: Annual number of ATMs by type and volume of withdrawals

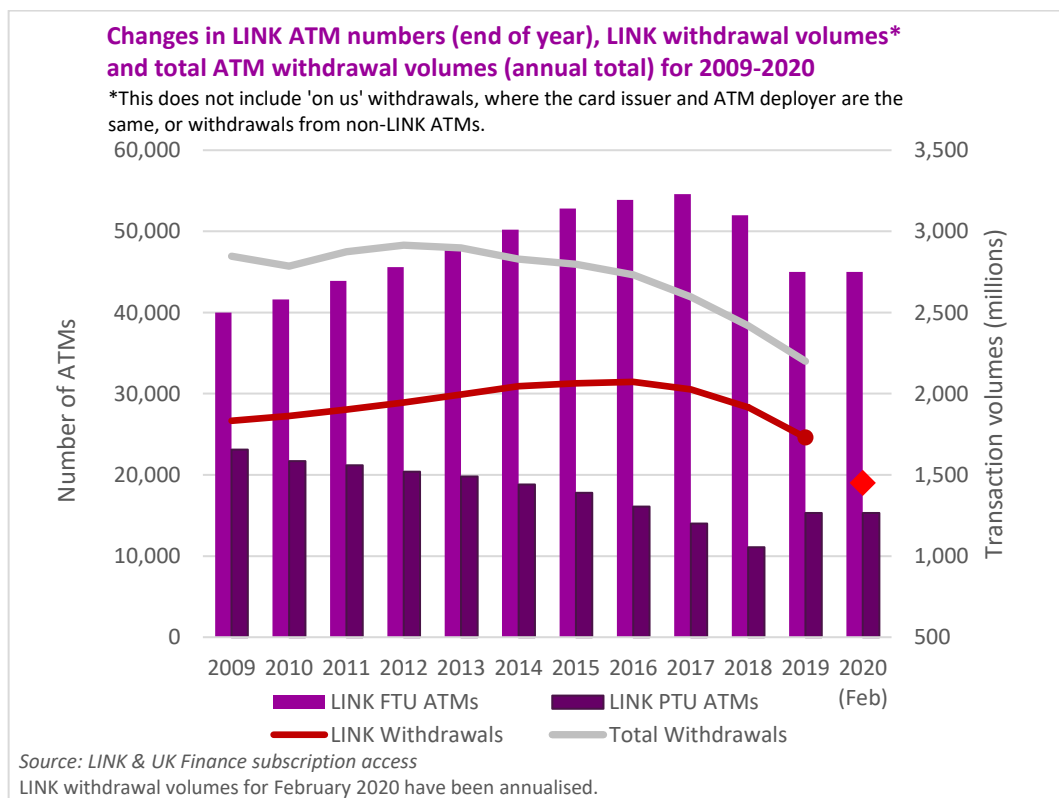
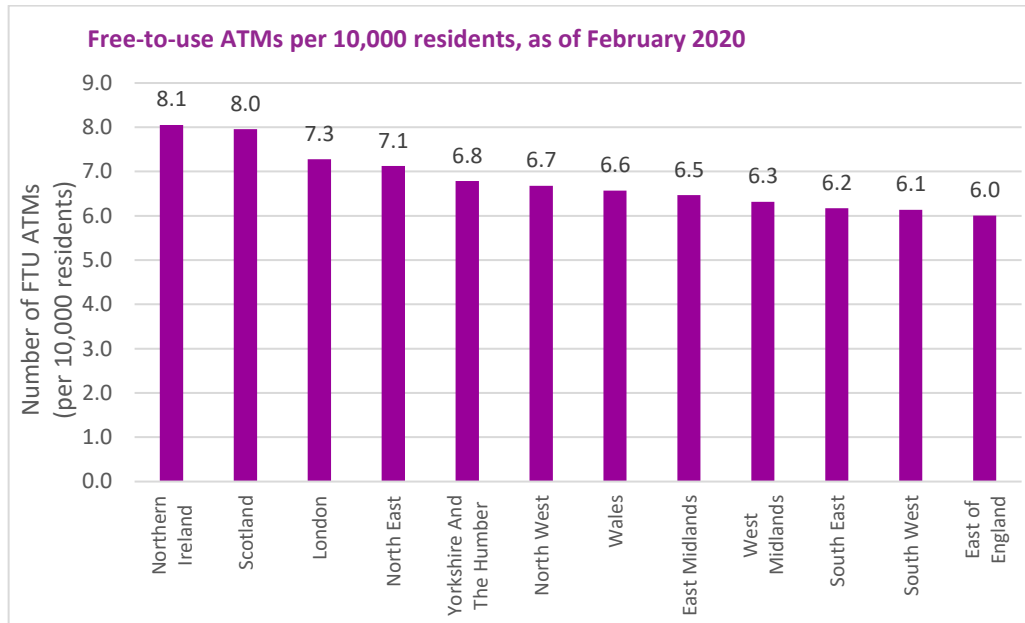


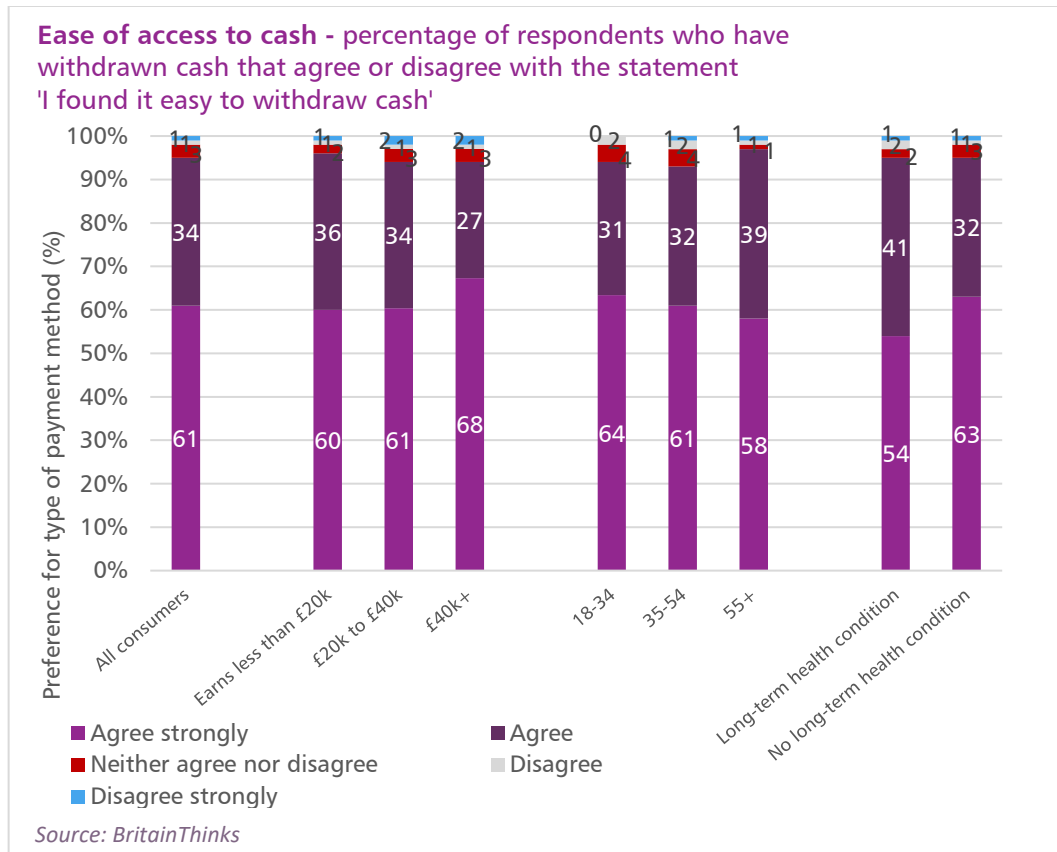


Chart 1.C: Number of FTU ATMs by region per 10,000 residents



1.40 To help understand how such changes are affecting people and businesses, the PSR commissioned market research into how people, and small businesses, access, use and process cash. This research was undertaken in the first quarter of 2019 and published in July 2019.<sup>14</sup> The findings indicated that 95% of the respondents still found it easy to withdraw or access cash (see Chart 1.D).

Chart 1.D: Survey findings on access to cash



<sup>14</sup> 'CP19/6 – Full research report into cash access, use and acceptance', PSR, July 2019.

1.41 This indicated that, at an aggregate level, the geographic spread of ATMs and access to cash via ATMs was meeting most people’s needs at that time. However, the PSR recognises that there may have been an undersupply (as well as oversupply) of FTU ATMs in certain areas, such as those with low (high) footfall.<sup>15</sup>

1.42 The decline in both cash usage and ATM withdrawals outlined above, notwithstanding the impact of COVID-19, is expected to continue over the long-term, as businesses and individuals opt to use digital payments more frequently. Sustained reduction in volumes could have negative implications for the sustainability of the ATM network and, in turn, access to cash withdrawal services on a widespread geographic basis. The PSR is monitoring the situation closely and is working with other JACS members and industry to address any gaps that may arise in the access to cash landscape.

1.43 Looking beyond ATMs, the amount of cash being acquired through other means – cashback transactions; over the counter cash withdrawals; and cash paid in state benefit, pensions and wages – is much smaller than cash acquired from ATMs, and has declined significantly since 2009 (see Table 1.A).

**Table 1.A: Cash acquired through alternative (non-ATM) methods**

	Cashback		Over the counter*		State benefits, pension and wages paid in cash
	Volume	Value	Volume	Value	Value
2019	123m	£3.8bn	78m	£12.8bn	£24.2bn
Change since 2009	-51%	-39%	-48%	-59%	-35%

\*Over the counter cash withdrawal by card, cheque and passbook at bank and Post Office branches

Source: UK Finance Payments Market Report 2020

1.44 Of these, cashback has been a particular interest to JACS Group members given recent industry activity and the link that cashback provides between cash withdrawal facilities and cash deposit points.

1.45 An industry survey of convenience stores in 2019 indicated that 62% of convenience stores in the mainland UK provide cashback.<sup>16</sup> When it comes to the number of businesses that offer cashback services and how this has changed over time, JACS Group members have noted that there is a lack of detailed industry data on a holistic basis. The PSR, working with the FCA, will explore what industry could do to increase the level of information available on cashback services.

1.46 As cash usage declines, it is important to take the following factors into account when considering the future sustainability of cash withdrawal services:

<sup>15</sup> ‘CP19/5 – Full research report into cash access, use and acceptance’, PSR, July 2019.

<sup>16</sup> ‘The local shop report’, ACS, 2019.

- suitably widespread geographic access to cash that meets consumers' needs with the incentives in place to deliver this; over time this could include several different ways of accessing cash if these can be shown to meet consumers' needs
- the quality of services, such as the operability and accessibility of services by vulnerable customers
- the specific needs of local areas, including how to meet the cash needs of vulnerable groups in those areas; engagement with local communities that have a good understanding of the need for cash in their area could be very beneficial for gaining insight on this

## Actions – cash withdrawal

1.47 Cash is withdrawn primarily from ATMs and bank and Post Office branches but also reaches consumers and firms through employers, government benefits and pensions, and retailer cashback. While ATMs were used by nearly 51 million people in the UK in 2019, other options are widely used and innovation is adding to the ways in which cash can be accessed.

1.48 In response to the COVID-19 pandemic, the FCA convened regular meetings with the Banking Access Coordination Group (BACG), to maintain access to essential banking services, which included cash withdrawals. The BACG brings together members of the JACS Group with industry to identify emerging issues, share lessons learnt and agree coordinated actions. The BACG has also supported coordinated action on access and signposting to alternative banking services more broadly, including telephone and online banking, and third-party access for vulnerable people who are self-isolating.

1.49 In June 2020, the FCA and PSR announced that they will work with industry to explore how it can provide an appropriate and sustainable model of accessing cash, for example through wider use of shared services and further initiatives involving local communities. This work started in July 2020 and the two regulators will continue to work with wider industry and other key stakeholders to help develop solutions.

1.50 The FCA and PSR are also exploring with industry how other ways of withdrawing cash can contribute to a sustainable long-term solution. FCA Innovate is providing regulatory advice through Direct Support to eligible firms with innovative ideas, such as cashback, with a focus on solutions for vulnerable consumers; this is one of the key elements of the FCA and PSR's work in this area.

1.51 The FCA and PSR are building on their existing work to map cash access locations across the UK through an initiative with the University of Bristol and key stakeholders to analyse reasonable access to, and availability of, cash across the UK.<sup>17</sup> This will provide an overview of where services or infrastructure are provided and inform future work to help protect access to cash.

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<sup>17</sup> 'Coverage of access to cash across the UK, PSR, June 2020' and 'Access to cash during Covid-19: identifying and managing gaps in provision', June 2020.

## Actions related to ATM withdrawals

1.52 The PSR regulates the LINK network, which manages the vast majority of ATMs in the UK. As part of its work, the PSR has been monitoring the public commitment made by LINK in early 2018 to maintain the geographic spread of Protected ATMs.<sup>18</sup> This involved the PSR issuing a Specific Direction to LINK in October 2018, to make sure it fulfils this commitment.<sup>19</sup>

1.53 FTU ATMs may close or convert to PTU for a variety of reasons. Where this occurs for a Protected ATM, LINK has a number of measures in place to replace them. As a last resort and where other measures are ineffective, LINK seeks to directly commission a replacement FTU ATM from its members. LINK does not seek to replace a Protected ATM if certain conditions apply, including if there is a Post Office nearby (and open at least 5 days a week), if the ATM was not accessible to the general public, or if there is a security issue.

1.54 As of LINK's May 2020 Footprint report, published in July, there are 2,995 FTU Protected ATMs - 273 of which have closed or converted to PTU. LINK is targeting around a fifth of these 273 Protected ATMs for replacement, with the remainder falling under one of the aforementioned conditions.

1.55 Recognising that maintaining a static geographic footprint of FTU ATMs is a short-term measure, the PSR and industry have been working on other initiatives to help make sure people's cash access needs are being met now and in the long-term.

1.56 In August and October 2019, LINK announced additional initiatives building on its commitment to maintain the existing geographic spread of Protected ATMs which include:

- a commitment to make sure there is free access to cash in retail centres with five or more relevant shops, where people tend to want to use (and hence get access to) cash; where there are currently such retail centres with no free access to cash available through an ATM or Post Office within 1km, LINK will directly commission an ATM<sup>20</sup>
- a new Community Access to Cash Delivery Fund where local communities can apply to LINK to request a FTU ATM to be directly commissioned in their area – in August 2019, LINK identified five locations where ATMs will be directly commissioned, based on engagement with local MPs and councils who previously raised local access to cash issues to LINK; in October 2019, LINK's initiative went live; it has now received over 3,500 applications from across 2,600 communities, and LINK has already funded a number of free ATMs installed under this scheme; LINK's assessment of applications includes significant local engagement that should help improve understanding of local communities' unique cash access needs<sup>21</sup>

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<sup>18</sup> A Protected ATM is a free-to-use ATM that existed in January 2018 but has subsequently lost all other free-to-use ATMs within one kilometre.

<sup>19</sup> 'PSR Specific Direction 8', PSR, October 2018.

<sup>20</sup> 'LINK retail centre ATM policy', LINK, August 2019.

<sup>21</sup> 'LINK community support', LINK, October 2019.

1.57 Directly commissioned ATMs under both initiatives are funded by the banks and building societies who are members of LINK.

1.58 The PSR published its first Annual Review of its Direction on LINK in March 2020.<sup>22</sup> The PSR concluded that the Direction should stay in place for the time being, but that LINK should keep certain elements under review. LINK has subsequently taken action to enhance its policies and has updated its Protected ATM Policy to reflect these changes.

1.59 In April 2020, four LINK members made a commitment to replace any closed or converted FTU ATM, which is covered by LINK's commitment to maintain the overall spread of FTU ATMs (Protected, Financial Inclusion, Retail Centres). This commitment will remain in place for one year to cover the period during which the impact of COVID-19 is most acute and will be reassessed annually.<sup>23</sup>

1.60 Alongside this, the PSR is looking at why ATMs are placed where they are and what factors may affect where they are placed in the future; one important factor is the LINK interchange fee structure. The PSR conducted a Call for Views and held a stakeholder roundtable in July 2019 on the LINK interchange fee structure.<sup>24</sup> The Call for Views responses and a summary of the roundtable discussion have been published on the PSR's website.<sup>25</sup> The PSR is considering what role the LINK interchange fee structure might play in delivering sustainable widespread access to cash.

#### Other actions related to cash withdrawals

1.61 The PSR's market research has focused on people's views about alternative ways of accessing cash in the future.<sup>26</sup> As part of this, some respondents considered the Post Office and traditional cashback to be useful cash access services, while others had concerns with these services such as issues with accessibility, convenience, and how widely they are offered.

1.62 Several major banks and payment services firms are currently developing new and innovative ways in which cash access can be maintained for consumers in locations where ATMs and bank branches may not be easily available. These include incentivising provision of cashback through high street retailers, and cash collection and delivery services.

1.63 UK Finance (a trade body for the banking and financial industry) announced a Community Access to Cash Initiative that complements LINK's initiatives.<sup>27</sup> This allows local communities to apply for grants, funded by banks and building societies, to help improve access to cash and adoption of alternative solutions where an ATM is not appropriate or required. Eight successful locations were announced on 17 June 2020, and all applicants were due to be notified if they had been successful by the end of June.

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<sup>22</sup> ['Review of Specific Direction 8 \(LINK\), PSR, October 2019.](#)

<sup>23</sup> ['Maintaining the UK's free LINK ATM network', LINK, April 2020.](#)

<sup>24</sup> ['CP19/5 – Call for views: Review of the structure of LINK interchange fees', PSR, June 2019.](#)

<sup>25</sup> ['CP19/5 – Responses to our discussion paper on the LINK interchange fee structure and summary of our roundtable discussion', PSR, September 2019.](#)

<sup>26</sup> ['CP19/6 – Call for Views: The PSR's research into cash access use and acceptance', PSR, July 2019.](#)

<sup>27</sup> ['UK banking and finance industry update on local access to cash', UK Finance, September 2019.](#)

1.64 UK Finance also announced work to:

- help improve recycling of cash in local communities, such as through cashback
- develop awareness of available cash access channels (bank and building society networks, post office, ATMs, merchant cashback, etc.)
- improve access to and development of digital innovation

1.65 All members of the JACS Group welcome these innovations, as well as recent initiatives by the financial services sector to support vulnerable customers and those who may be self-isolating in response to COVID-19. Banks, building societies, credit unions and Post Offices have worked to maintain access to their services, including access to cash, while balancing the needs of their customers and members with the safety and welfare of staff and volunteers. This has included the creation of new, innovative cash delivery services, and means of trusted third parties collecting cash or making payments on behalf of an individual.

1.66 JACS Group members are continuing to support initiatives by industry and encourage them to engage with local communities, understanding local needs for cash and taking steps to meet those needs. The PSR and FCA have been closely engaging with LINK and UK Finance on the development of industry solutions and community initiatives that meet consumer needs. This includes the provision of regulatory support by the FCA, through the Innovate Sandbox and Direct Support for eligible innovative firms.<sup>28</sup>

1.67 A strong focus on good consumer outcomes will help ensure that cash needs, especially of those who rely heavily on cash, can be better understood and allow industry to find the best ways to meet those needs. Qualitative research on consumer need for cash by the FCA and research by the PSR to track access to cash outcomes will allow JACS Group members to oversee whether initiatives are doing all they can to meet consumer cash access needs and take timely action where needed.

1.68 The members of the JACS Group will continue to ensure a joined up and coordinated regulatory approach to monitoring trends and overseeing the UK cash infrastructure, including the impact of COVID-19.

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<sup>28</sup> ['FCA Innovation – fintech, regtech and innovative businesses'](#), FCA.

## C. Cash usage

1.69 One of the key factors driving the level of cash usage in the economy is cash acceptance by merchants and retailers. As highlighted in the Access to Cash Review, in addition to protecting access to cash, people need to be able to use it.

1.70 Cash acceptance itself is dependent on a number of direct and indirect costs of cash, including the costs to merchants of depositing cash received on their premises.

1.71 It remains the choice of individual businesses and people on the form of payments they accept, including cash. The government has issued guidance for retailers about working safely during COVID-19.

1.72 The following sub-sections examine trends of cash usage by both consumers and businesses before focusing on the topic of cash acceptance, given its key role in the operation of the cash infrastructure.

### Trends – cash usage

1.73 The Access to Cash Review highlighted the decline of cash usage in the UK, noting a key driver being the growth in debit card payments. When published in 2019, the Review's analysis suggested that cash use could fall to 10% of all payments in 15 years' time, acknowledging that digital payment methods won't meet everyone's needs.

1.74 As part of the Review, a survey of 2,000 nationally representative UK consumers was conducted in November 2018. This found that 97% of those surveyed carry cash on them, with an average value of £41. Respondents generally liked to carry cash to pay for small items, to provide a choice of payment options, and because cash provides peace of mind.

1.75 Subsequent market research, commissioned by the PSR, included information on consumer cash usage.<sup>29</sup> This noted:

- while the proportion of respondents wholly reliant on cash was low, most respondents used cash regularly – 69% prefer to use cards, but 83% had made a payment using cash in the last week
- over a quarter of respondents (28%) preferred to use cash, especially for budgeting and control purposes (the main reason given by over half of that 28% for why they preferred paying in cash)
- the mean value of a cash purchase was £28.90, with £9 being the median

1.76 When asked to describe their most recent transactions using cash, the most common answers were basic consumables including groceries, coffee or hot drinks, food and milk. This may partly reflect the high proportion of food and drink purchases in everyday spend.

1.77 In terms of acceptance, the small businesses surveyed suggested that sectors such as accommodation and food services, construction and health & social work tended to accept cash more than others.

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<sup>29</sup> [CP19/6 – Full research report into cash access, use and acceptance](#), PSR, July 2019.

1.78 Changes in the level of cash acceptance have the potential to be a pressure point for cash usage. In order to understand this better, the Bank of England has started to track cash acceptance from a consumer perspective.

1.79 In January 2020, a Bank-commissioned survey found that 15% of people had visited a store in the past six months that did not accept cash. These people tended to be younger and living in London and the South East.

1.80 To gain a view of UK retailers' attitudes towards and strategies for cash, the Bank of England conducted interviews in the first half of 2019 with a sample of key retailers in various cash-heavy sectors.

1.81 Retailers in cash-heavy sectors had experienced a steady decline in cash payments, in line with national trend statistics. They attributed this, in part, to the rise of contactless. The overall message from interviewed retailers was that their offering of payment methods to customers is dictated by customer demand: they want to offer choice and therefore have no plans to go cashless. However, technology decisions – such as the installation of cashless self-service terminals aimed at reducing queuing times and increasing margins – also influence the level of cash usage.

1.82 From a cost perspective, retailers often reported cash as the cheapest payment method in the Bank of England's interviews (albeit with a limited sample). Similarly, many respondents to the government's Call for Evidence on Cash & Digital Payments perceived card processing costs to be more expensive than using cash. However, it was noted that the costs of cash processing are often underestimated because the full costs of cash may not always be explicit for businesses - for example, the costs of sorting, transporting and securely storing cash.

1.83 Moreover, the PSR market research that surveyed small businesses found they find it difficult to calculate the costs of accepting cash because they may not pay standalone cash deposit fees (as these may be included in wider banking fees) or easily be able to measure indirect costs, such as cash processing time.<sup>30</sup>

## Actions – cash usage

1.84 At a fundamental level, keeping cash affordable will be a key incentive for retailers to continue to accept it. The Access to Cash Review came to this conclusion in 2019, noting that rather than introduce legislation mandating cash acceptance, the best solution to continued acceptance would be to keep the costs of cash low. These costs include: direct costs, such as bank charges; indirect costs, such as Cash in Transit (CiT) costs; and, staff costs of handling cash and manning checkouts.

1.85 The Wholesale Distribution Steering Group (WDSG), chaired by the Bank of England, will support the requirement to keep cash processing affordable by developing a new model that enables the demand for cash to be met efficiently and cost-effectively, even as transactional use of cash declines. In turn, this will support the continued use of cash on the consumer facing side of the cash infrastructure.

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<sup>30</sup> [Call for views: Insights from research into cash access, use and acceptance](#), PSR, July 2019.



1.86 The FCA is conducting research on consumers' use of cash with a focus on vulnerable consumers due to factors such as financial or digital exclusion. This will inform decisions on whether further interventions are required.

1.87 The PSR gathered views through its market research and potential implications for society's access and use of cash through a Call for Views. It also held a stakeholder event in October 2019 to further discuss consumers use of, and access to, cash, to help inform its work. A summary was published in March 2020.<sup>31</sup> This work explored the role of local community and consumer engagement, in order to help identify and meet cash access needs and to understand how to best capture consumer outcomes. This is informing the PSR's ongoing work.

1.88 As noted in the government's Call for Evidence on Cash & Digital Payments, government departments are utilising digital payment methods for the benefits they bring, not only in terms of consumer ease of use but also in terms of cost savings, security and value for money.

1.89 However, the government understands the importance of ensuring that individuals are not left behind as departments themselves adapt to changing trends and innovations. There are a number of case studies where the government continues to allow the payment of cash for certain services (see Box 1.B below).

1.90 For example, HMRC customers have the ability to pay their tax liabilities in cash through the counter services provided by their own bank, or at those banks and financial institutions which supply such counter services to non-customers.

1.91 HMRC also pays its vulnerable Child Benefit customers who cannot hold a bank account through a product which uses barcode technology to enable customers to exchange their code (issued via text or letter) for cash at the Post Office.

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<sup>31</sup> ['CP19/6: Responses to our call for views on our research into cash access, use and acceptance, and summary of our roundtable discussion', PSR, March 2020.](#)

### Box 1.B: Driver and Vehicle Licensing Agency (DVLA) cash case study

The DVLA closed its local office network in 2013. The challenge for the DVLA was to reduce running costs and offer a better value service to reflect customers' changing needs. The DVLA met this challenge by considering how closing its local offices and moving towards online services would affect the DVLA, its customers and its wider stakeholders.

The DVLA's detailed proposals covered encouraging customers to use online channels; moving some transactions from local offices to DVLA Swansea; and moving other transactions to third party intermediaries, such as the Post Office.

As a result, following closure of the DVLA network, customers retained the option to make cash payments through the Post Office network with various payment channels accepted, including cheques or postal orders; debit and credit cards; and cash.

The DVLA maintains the view that it is important to make as many alternative payment methods as possible available to give motorists the choice of how they pay for vehicle excise duty and comply with their legal obligations to tax their vehicles.

**1.92** Overall there is currently a lack of timely, reliable data on retailer acceptance of cash. Given the importance of cash acceptance to the viability of cash as a payments option, this is an area where JACS Group members are combining efforts to improve data collection. The PSR has previously commissioned market research, which included information on acceptance of cash by small businesses. Additionally, the Bank of England is conducting a series of biannual consumer surveys which include questions on cash acceptance.

**1.93** The costs of cash to merchants are also an important factor driving cash acceptance, which can impact on people's ability to use cash. JACS Group members will continue to explore how relevant data can be collected and analysed. The Wholesale Distribution Steering Group (WDSG) is building an evidence base on the wholesale costs of cash. Additionally, the FCA has commissioned qualitative research, which will proceed when the impacts of COVID-19 subside, to explore the factors affecting SME's decisions to accept cash. This will explore the views of SMEs on cash and non-cash payment methods and the cost of cash acceptance, to inform the development of future work.

## D. Cash deposits

1.94 Cash deposits are critical to the overall functioning of the cash cycle. Use of cash by consumers and businesses includes spending cash on goods and services in the UK as well as spending or sending cash abroad. For the former, cash re-enters the infrastructure through various deposit points, including:

- over the counter at bank or building society branches directly or via cash collection and delivery services
- at Post Office branches offering banking services
- at deposit taking ATMs or merchant operated self-fill ATMs

1.95 There is a clear link between cash withdrawal facilities and cash deposit points. Where cash can be retained in local areas and recycled, without the need to be replaced or transported back to major processing centres, costs can be reduced. Such action could boost the resilience of the cash infrastructure, in light of declining cash usage.

1.96 Taking bank notes in and 'recycling' them back out again to customers can happen at several levels:

- throughout the wholesale distribution system
- on the high street, at a Post Office, or within shared facilities located in retail centres
- at individual retailers and financial institutions

1.97 The Access to Cash Review raised specific concerns around the level of charges for depositing cash and the difficulties SMEs face making deposits. As mentioned in the previous cash usage section, the Review stated that a key issue affecting cash acceptance is the cost of handling cash.

1.98 In this way, changes in the cost of cash withdrawals or deposits may be incentivising SMEs to move to only accepting electronic payments, reducing cash acceptance and increasing the pressures placed on the cash infrastructure. This will continue to be an area of focus for JACS Group members.

### Trends – cash deposits

1.99 The PSR's market research into consumers' access and use of cash produced several findings relating to small businesses' experience with cash. These included:

- small business respondents find it difficult to calculate the costs of accepting cash because they may not pay separate deposit fees (which may be included in wider bank account fees) or explicitly take into account their own time processing cash as a cost
- most small businesses regularly deposit cash in the bank, but cash is also recycled through the business by paying suppliers and employees, or it's taken as personal wages
- when asked about options for cash banking in the future, small businesses cautiously supported industry innovations for cash depositing, such as third-party 'hub' branches

1.100 As well as charges for depositing cash, SMEs face other costs from accepting cash, such as transport and insurance.

1.101 It should also be noted that consumer choice may be a significant part of an SME's decision whether to accept cash. Some SMEs may have more customers who prefer to pay by card or other electronic means.

1.102 The FCA's Strategic Review of Retail Banking Business Models Report (published in December 2018) noted that SMEs are significant users of cash and that the declining role of branches could create access issues for some businesses in the future.<sup>32</sup> Around 20% of SMEs with turnover below £2 million use branches as their primary banking channel. The Report found that over the period 2012-2017 banks have closed 3,114 branches or around 24% of the network.

### Actions – cash deposits

1.103 JACS Group members welcome the critical work of industry to explore ways to develop a sustainable cash infrastructure to meet consumer needs. The FCA and PSR are engaging with industry on ways this can be achieved, such as through innovation or shared services. The two regulators will also work closely with firms taking commercial decisions on their provision of cash infrastructure to minimise the impact on consumers and firms. This includes the research commissioned by the FCA to examine the factors affecting SMEs' decisions to accept cash.

1.104 With regards to the sharing of facilities and cash infrastructure, the Treasury Committee report in 2019 on consumers' access to financial services noted that the Committee had not seen compelling evidence that competition law would prevent banks from proceeding.<sup>33</sup> The Shared Banking Hub pilots are an example where banks have worked within competition rules to collaborate.<sup>34</sup>

1.105 JACS Group members welcome such innovation, which shows that the industry can co-operate to provide new services. As noted in the government's response to the Treasury Committee report, while banks do have to comply with competition law, there is no specific regulation that prevents banks from sharing branches or other premises on a commercial basis where there is mutual interest. Firms should not use meeting their legal obligations under competition law as a reason not to innovate.

1.106 Outside of shared banking hubs, deposit-taking ATMs that can be accessed by any bank's customer could help improve cash handling issues for consumers and SMEs and potentially reduce costs associated with filling ATMs. However, the PSR's commissioned market research suggested that, while there was generally acceptance of new alternatives to depositing cash, some individuals dislike or have mistrust in using deposit-taking machines. Several banks already provide deposit-taking machines within their branches to help meet customers' needs.

1.107 Other banks are utilising non-ATM means for consumers to deposit cash into their bank accounts. For example, one digital bank has found a technical solution allowing its customers to pay cash directly into their accounts at local retailer tills.

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<sup>32</sup> ['Strategic review of retail banking business models', FCA, December 2018.](#)

<sup>33</sup> ['Consumers' access to financial services inquiry', Treasury Committee, May 2019.](#)

<sup>34</sup> ['NatWest, Lloyds Bank and Barclays pilot UK's first business banking hubs', RBS, March 2019.](#)

1.108 The FCA and PSR will consider whether additional commercial or regulatory arrangements are needed to allow the market to realise benefits from such innovation to meet consumer needs. This will be supported by the mapping work on access to cash led by the FCA and PSR, as well as FCA and PSR engagement with industry on decisions about their provision of cash infrastructure and the impact on consumers. The FCA will continue to engage with banks and building societies on developments in cash infrastructure especially where these raise issues relevant to its consumer protection, competition and market integrity objectives.

1.109 JACS Group members will work with industry to identify any barriers that may limit uptake in solutions that make greater use of banknote recycling, and identify what they can do to help address such barriers and encourage development going forward. As part of the work to design a new wholesale cash distribution model, the Bank of England is looking at its Note Circulation Scheme (NCS) rulebook to understand if this represents a barrier.

1.110 It is also important to note the key role of the Post Office in the provision of cash withdrawal and deposit services. In January 2017, Post Office Limited (POL) agreed a three-year, industry-wide Banking Framework with 28 UK banks, enabling 99% of UK personal banking customers and 95% of UK business banking customers to do their day-to-day banking at the Post Office.

1.111 The Post Office renegotiated the Banking Framework agreement in 2019 and this took effect from January 2020. The renegotiated agreement allows customers from the 28 UK banks who signed up to the first Banking Framework agreement to continue to access basic banking provisions, including cash deposits and cash withdrawals.

1.112 In addition to withdrawing cash over the counter at 11,500 branches UK wide as part of the Banking Framework agreement, there are over 3,500 Post Offices that provide ATMs. Customers can also deposit up to £20,000 at main branches and up to £2,000 at local branches.

1.113 The Post Office's cash services are not under direct oversight of any single regulator. Prior to 2012, the Post Office was a subsidiary of Royal Mail, but following the privatisation of Royal Mail in 2012 as a result of the Postal Services Act (2011), the two separated and Post Office Ltd remained publicly owned by the government.

1.114 The Post Office Ltd.'s public ownership is founded on its social purpose. This includes protecting the interests of vulnerable customers, providing services of social importance, and safeguarding services in rural and urban deprived areas where bank branches are not commercially viable.

## Interaction between cash & digital payments

1.115 It is important to note that there is a direct relationship between the rise in digital payments and the decline in cash usage. With trends forecast to continue, it is essential that digital payments and the benefits they can provide are made available to everyone, and that vulnerable people are supported, whether that is by helping such people on to digital payments or helping maintain access to cash where there is a genuine need. Though the JACS Group is focused on coordinating activity to ensure oversight of the end-to-end cash infrastructure, all JACS Group members are aware of the need to continue to liaise with the retail banking and payments industry on this issue.

1.116 There are many firms in the industry working on new ways to improve their payment services for customers. The government's Financial Inclusion Policy Forum brings together leaders from government, industry, the third sector, and regulators, to ensure collaboration on financial inclusion. At the forum in April 2020, the Economic Secretary to the Treasury led a discussion on access to cash and consumer use cases – this included new services that allow customers who are self-isolating during the COVID-19 pandemic to make payments via a trusted third party.

1.117 Consumer access to financial services, particularly vulnerable customers, is also a priority for the FCA. Ensuring that consumers have access to safe and accessible payments and cash is one of the FCA's four business priorities for 2020-21. The FCA will continue to work with other JACS Group members to consider the impacts of innovation on customers' access to payment services, including the implications of the declining use of cash. It will continue to support firms as they develop new and innovative solutions through its Regulatory Sandbox, Direct Support and broader innovation agenda. Making finance work for everyone – by addressing issues around access, exclusion and vulnerability – is a theme of its Sandbox cohort 6.<sup>35</sup>

1.118 The FCA's Principles for Businesses require firms to treat customers fairly and expect firms to exercise particular care where consumers are in vulnerable circumstances. In July 2019, the FCA published a consultation on its draft guidance for firms on the fair treatment of vulnerable customers.<sup>36</sup> The draft guidance sets out proposals for how firms should approach the treatment of vulnerable customers, embedding this in their culture, practices and processes throughout the whole consumer journey, from product design to customer service. The guidance identifies poor or non-existent digital skills as characteristics that may cause a consumer to be vulnerable and have additional or different needs. A second consultation and cost benefit analysis was paused due to COVID-19 and will be published shortly.

1.119 Since May 2017, the major high street banks have been signed up to the Access to Banking Standard. This is an industry commitment, brokered by government, to take steps to establish the local impact of a branch closure, and to inform communities about the bank's reasons for closure and options for alternative access to services. The FCA is working closely with the Lending Standards Board (LSB), who provide independent oversight of bank branch closures to ensure fair

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<sup>35</sup> ['Regulatory Sandbox', FCA, May 2015.](#)

<sup>36</sup> ['GC19/3: Guidance for firms on the fair treatment of vulnerable customers', FCA, March 2020.](#)

customer outcomes, alongside its work to explore a long-term solution with industry.

**1.120** Where banks and payment firms are closing branches, and placing increased reliance on digital services, firms should understand how this might impact on the needs of consumers, particularly vulnerable consumers. It is important to recognise that digital services are likely to play an increased role in ensuring continuity of services.

**1.121** Use of contactless payments has increased year-on-year since they were introduced. This is one factor that has driven an increase in the use of debit cards. During the COVID-19 pandemic, industry accelerated plans to raise the contactless card payment limit from £30 to £45.

**1.122** Furthermore, broadband and mobile coverage are important for the take-up of digital alternatives. The March 2020 Budget committed £5 billion to support the rollout of gigabit-capable broadband in the most difficult to reach 20% of the country and £510 million to support the Shared Rural Network to improve 4G mobile coverage to 95% of the country.

# Chapter 2

## Next steps

2.1 JACS Group members have been conducting extensive external engagement with stakeholders. This has covered a wide range of stakeholders relevant to its work, such as industry parties (retail banks, independent ATM deployers, cash processors, the Post Office), consumer groups, and other user representatives, such as small business associations and Members of Parliament.

2.2 As next steps following this update document, JACS Group members will:

- inform the development of legislation to protect access to cash
- continue to ensure a coordinated regulatory approach to monitor trends, including the impact of COVID-19, and oversee the UK cash infrastructure
- undertake a public consultation over summer 2020 on potential end-state models for a new wholesale cash distribution system
- conduct qualitative research to understand the key reasons why some consumers have a greater need for cash and how those consumers access cash services
- conduct qualitative research into acceptance of payment methods by SMEs and the costs related to cash acceptance
- continue to support widespread access to free ATMs
- drive the continued development of effective local engagement schemes to help to identify local areas where cash needs may be underserved and address the issues
- develop a comprehensive map of access to cash across the UK, building on work initiated to identify local areas that have lost access to cash as a result of temporary closures due to COVID-19, to inform future work
- work with stakeholders to explore how industry can provide an appropriate and sustainable model of accessing cash and mitigate the impacts of changes to cash infrastructure, for example through wider use of shared services and initiatives involving local communities, to ensure the cash access needs of consumers and SMEs are being met
- provide regulatory support for innovative solutions that are eligible and address the access to cash needs of consumers and SMEs

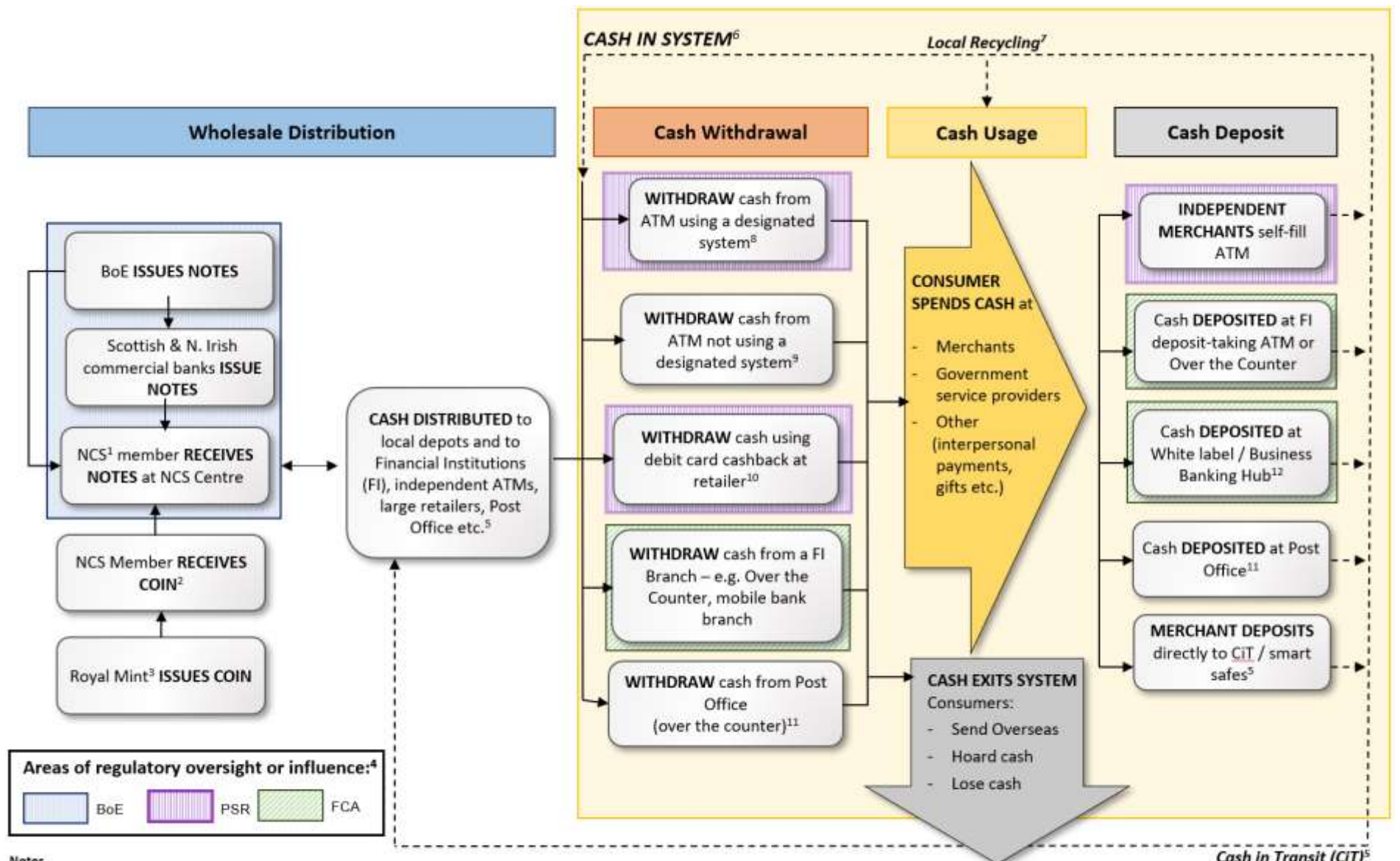
2.3 In 2019, the government's Call for Evidence Response stressed the key role of industry to promote creative and innovative ways of managing, accessing and depositing cash. JACS Group members subsequently welcome initiatives by industry



to engage with local communities, understand their needs for cash and take steps to meet those needs. Members will continue to work with industry to help develop these approaches, understand how they are working, and harness best practice for the benefit of all consumers.

## Annex A

# Cash infrastructure and regulatory roles



**Notes**

<sup>1</sup> Note Circulation Scheme (NCS)

<sup>2</sup> Not all NCS Members receive coin

<sup>3</sup> The supply of new UK circulating coin by the Royal Mint is governed by contract between the Royal Mint and HM Treasury

<sup>4</sup> This reflects statutory powers but also legal agreements and rules. For example those providing a framework for the wholesale cash industry

<sup>5</sup> See paragraphs 1.32 – 1.34

<sup>6</sup> Cash deposit and withdrawal can fall into the FCA's wider remit of consumer protection and competition.

<sup>7</sup> Cash can re-enter dispensers without being sent through a wholesale cash processor. Cash can also cycle between merchants and consumers before being deposited

<sup>8</sup> LINK (also regulated by BoE), Visa (also regulated by BoE), MasterCard

<sup>9</sup> E.g. customers withdrawing cash from their own bank's ATM

<sup>10</sup> Where the retailer is a payment service provider

<sup>11</sup> See paragraphs 1.110 – 1.114

<sup>12</sup> Business Banking Hubs have been piloted by a number of banks

## **HM Treasury contacts**

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