

<b>Title:</b> Access to Cash <b>Lead department or agency:</b> HM Treasury <b>Other departments or agencies:</b> N/A	<b>Impact Assessment (IA)</b>
	<b>Date:</b> 01/07/2021
	<b>Stage:</b> Consultation
	<b>Source of intervention:</b> Domestic
	<b>Type of measure:</b> Primary Legislation
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<b>Summary: Intervention and Options</b>	RPC Opinion: N/A
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Cost of Preferred (or more likely) Option (in 2019 prices)			
Total Net Present Social Value	Business Net Present Value	Net cost to business per year	Business Impact Target Status
N/A	N/A	N/A	Qualifying Provision

**What is the problem under consideration? Why is government action or intervention necessary?**

In recent years, the ongoing trend in payments in the UK has been away from cash and towards card payments and other digital payment methods. Nonetheless, cash remains the second most frequently used payment method. Responses to the government's Call for Evidence on Cash and Digital Payments in the New Economy highlighted that cash is important as a symbol of independence, as well as an important budgeting tool, and is a way to help elderly or vulnerable people access social opportunities. These findings were reflected through the government's Call for Evidence on Access to Cash in 2020.

For individuals and businesses to continue to use cash, it is important they can access suitable cash withdrawal facilities within a reasonable distance. Such facilities have witnessed a decline in use over the past decade, in terms of the volume and value of transactions. There are many factors that likely contribute to this trend, such as greater adoption of digital services, including payments and internet banking. As a result of factors such as changing business models and consumer preferences for these services, the number of facilities such as ATMs and bank branches has declined.

To date, HM Treasury, the Payment Systems Regulator (PSR), the Financial Conduct Authority (FCA) and the Bank of England have coordinated their activities with regards to cash, including through the Joint Authorities Cash Strategy (JACS) Group. Through engagement with public bodies, industry has introduced several initiatives to help protect access to cash. These have included measures by LINK to protect the distribution of free-to-use ATMs, as encouraged by the PSR. However, there are a range of cash withdrawal and deposit facilities at present each of which play a role in providing access to cash. At present, no single authority has overall responsibility for overseeing the maintenance of a well-functioning UK cash system, across the range of facilities that may be available, for the benefit of consumers. In the absence of government intervention, there is a risk that reliance on industry initiatives will not be sufficient to maintain an effective supply of cash withdrawal and deposit facilities to meet the needs of consumers and businesses.

**What are the policy objectives of the action or intervention and the intended effects?**

The government's overarching objective regarding access to cash is to maintain a sustainable infrastructure for cash in the UK, in order to ensure financial inclusion for all parts of society including the most vulnerable, while people continue to rely on cash.

The government considers that any intervention will need to meet the following criteria in delivering its objective: to be proportionate and flexible; to be cost-effective, efficient and sustainable; and to support competition and innovation.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**

A range of legislative and non-legislative options have been considered to achieve the government's objectives in this area.

These options included maintaining the status quo; increasing research and monitoring on cash access; regulatory intervention within existing responsibilities and powers; and legislating to amend regulatory responsibilities and powers (preferred option).

The preferred option will be most effective in ensuring that cash withdrawal and deposit facilities can be provided within appropriate distances of where people live, while remaining consistent with the government's criteria.

**Will the policy be reviewed?** It will be reviewed. **If applicable, set review date:** N/A

Is this measure likely to impact on international trade and investment?

No

Are any of these organisations in scope?

**Micro**  
No

**Small**  
No

**Medium**  
Yes

**Large**  
Yes

What is the CO<sub>2</sub> equivalent change in greenhouse gas emissions?  
(Million tonnes CO<sub>2</sub> equivalent)

**Traded:**  
N/A

**Non-traded:**  
N/A

*I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.*



Signed by the responsible Minister:

Date: 30/06/2021

# Summary: Analysis & Evidence

Policy Option 1

Description:

## FULL ECONOMIC ASSESSMENT

Price Base Year 2019	PV Base Year 2020	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: N/A	High: N/A	Best Estimate: N/A

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	N/A	N/A	N/A
High	N/A	N/A	N/A
Best Estimate			

### Description and scale of key monetised costs by 'main affected groups'

The costs of this measure will be determined by a number of factors, including the supply of cash access points without intervention (the "counterfactual") and the detail of the regulatory requirements set by the government and the regulators. Scenario analysis has been conducted to explore possible supply levels over the ten-year appraisal period, with analysis including and excluding cashback in the supply levels. This provides a benchmark to inform further analysis. The scenario presented (a 4% annual decline in the supply of cash access points) indicates that the supply of free-to-use access points could fall by 33,447 and 21,044 access points including and excluding cashback respectively. Over the coming months, further research will be taken to explore the expected costs of this policy. The analysis included in this submission will be reviewed on an ongoing basis.

### Other key non-monetised costs by 'main affected groups'

As above.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	N/A	N/A	N/A
High	N/A	N/A	N/A
Best Estimate			

### Description and scale of key monetised benefits by 'main affected groups'

This policy will bring forward a range of benefits. There are expected to be key non-monetary benefits to this policy (please see below).

### Other key non-monetised benefits by 'main affected groups'

The benefits to preserving cash access are most likely to fall to those who have a need or a preference for using the cash system. Research suggests that those in lower socio-economic groups, those with long-term health issues or disabilities and the elderly are likely to benefit most. There are therefore benefits associated with financial inclusion and providing social independence to those who rely on cash.

### Key assumptions/sensitivities/risks

Discount rate (%)

N/A

## BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: N/A	Benefits: N/A	Net: N/A	
			N/A

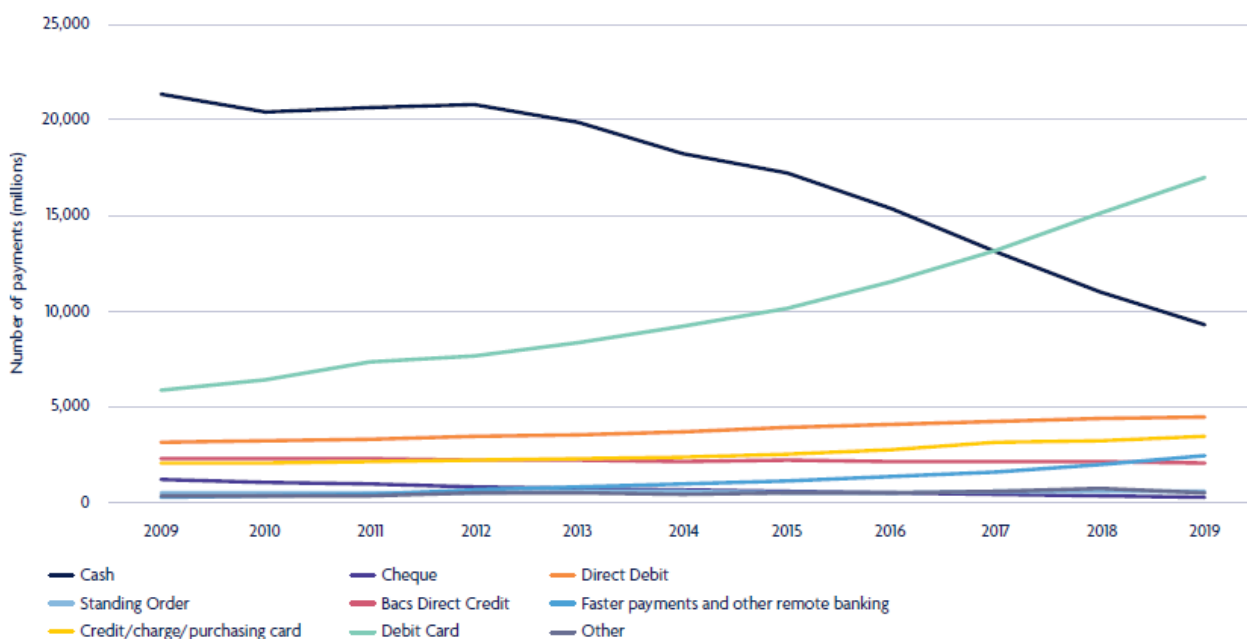
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# 1. Problem under consideration and rationale for intervention

- 1.1 In recent years, the ongoing trend in payments in the UK has been away from cash and towards card and other digital payment methods. Data provided by UK Finance (Figure 1) shows that in 2017 the volume of payments by debit card outstripped those made by cash for the first time. UK Finance also estimate that cash transactions have declined from 58% of total UK payments by volume in 2010 to 23% in 2019.<sup>1</sup>
- 1.2 Covid-19 and related social distancing measures have subsequently had an impact on cash usage in the UK. For example, in February 2021 the volume of transactions through the LINK ATM network was down 46%, and values were down 38%, when compared to February 2020.<sup>2</sup>
- 1.3 It is too early to predict what permanent impacts the COVID-19 pandemic will have on cash usage and payments more broadly. However, it is reasonable to expect that knock-on changes in how people purchase goods and services, and social distancing measures, have accelerated the trajectory of declining cash usage, as people have become more comfortable with other forms of transactions and payments, for example contactless card payments.

**Figure 1: Payment volumes by payment type 2009 to 2019**



Source: UK Finance UK Payments Markets Summary (2020)

<sup>1</sup> UK Finance: UK Payments Markets Summary 2020 - <https://www.ukfinance.org.uk/system/files/UK-Payment-Markets-Report-2020-SUMMARY.pdf>

<sup>2</sup> Link: Monthly Report March 2021- <https://www.link.co.uk/media/1729/monthly-report-mar-21-final.pdf>

- 1.4 The transition towards digital payments brings many opportunities, including the potential to make payments quickly or more easily. Nonetheless, cash remains the second most frequently used payment method. The government's 2018 'Call for Evidence on Cash and Digital Payments in the New Economy'<sup>3</sup> highlighted the importance of cash as a symbol of independence, as well as an important budgeting tool, and as a way that elderly or vulnerable people can access social opportunities. Industry data shows that 2.1 million people mainly use cash for their day-to-day purchases, with 9.3 billion cash payments made in 2019.<sup>4</sup> These findings were reflected through the government's Call for Evidence on Access to Cash in 2020, where respondents noted the continued importance of cash for groups such as elderly or vulnerable individuals.
- 1.5 The government believes that it should not seek to halt or reverse the trend towards digital payment methods, rather it should seek to ensure that access to cash is protected and the cash infrastructure remains sustainable, for example at lower levels of usage.
- 1.6 Last year the FCA and PSR, in conjunction with the University of Bristol, undertook a programme of work to identify and map the geographic coverage for cash access points across the UK. The published findings of this work showed that the provision of cash across the UK remains extensive, with around 90% of neighbourhoods within 1 kilometre of a free cash access point. When including cashback, around 42% of neighbourhoods have free access to cash within 250 metres, rising to 93% within 1 kilometre.<sup>5</sup>
- 1.7 For individuals and businesses to continue to use cash, it is important they can access suitable cash withdrawal facilities within a reasonable distance. Such facilities have witnessed a decline in use over the past decade, in terms of the volume and value of transactions. There are many factors that likely contribute to this trend, such as greater adoption of digital services, including payments and internet banking. As a result of factors such as changing business models and consumer preferences for these services, the number of facilities such as ATMs and bank branches has declined.<sup>6</sup> The government nonetheless recognises that cash provision remains an area of concern for many individuals, consumer groups, and others representing cash users, including the more vulnerable contingents of society.
- 1.8 To date, HM Treasury, the PSR, the FCA and the Bank of England have coordinated their activities with regards to cash, including through the Joint Authorities Cash Strategy (JACS) Group. Through engagement with public bodies, industry has introduced several initiatives to help protect access to cash. These have included measures by LINK to protect the distribution of free-to-use ATMs, reinforced by requirements imposed on LINK by the PSR. However, this can depend on individual firms voluntarily participating in initiatives. Furthermore, no single authority has overall responsibility or powers for overseeing the maintenance of a well-functioning UK cash system for the benefit of consumers.

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<sup>3</sup> HM Treasury: Cash and digital payments in the new economy <https://www.gov.uk/government/consultations/cash-and-digital-payments-in-the-new-economy>

<sup>4</sup> UK Finance: UK Payments Markets Summary 2020 - <https://www.ukfinance.org.uk/system/files/UK-Payment-Markets-Report-2020-SUMMARY.pdf>

<sup>5</sup> University of Bristol – Where to Withdraw Report 2020: <http://www.bristol.ac.uk/geography/research/pfrc/themes/finexc/where-to-withdraw/>

<sup>6</sup> University of Bristol – Where to Withdraw Report 2020: <http://www.bristol.ac.uk/geography/research/pfrc/themes/finexc/where-to-withdraw/>

## 2. Description of Options Considered

- 2.1 In order to meet its objective, the government has considered several policy responses including both legislative and non-legislative options:
- 2.2 **Option 0: Do nothing.** Without intervention, the supply of cash withdrawal and deposit facilities is likely to continue to fall. While industry initiatives are currently in place to support the geographic distribution of particular types of cash access facility, these rely on voluntary participation by relevant parties, for example an individual's payment account provider. As a result, there is a risk that the geographic distribution of facilities also deteriorates and therefore impacts people's ability to withdraw and deposit cash without any authority having the power to compel parties to take adequate action to remediate this. As an indirect consequence, people who rely on cash as a form of transacting may be excluded from economic and social activity.
- 2.3 The impacts of failing to intervene are considered to be dependent on the rate of change in the supply of cash withdrawal and deposit facilities: the faster the decline in supply, the more severe the impacts of failing to intervene. The costs associated with counterfactual scenarios are explored in section 4 below.
- 2.4 **Option 1: Increasing research and monitoring on cash access.** A non-legislative option is to increase research and monitoring on cash access. This could consist of launching more frequent and detailed research into cash access and use in the UK, for example building on the partnership between the FCA, PSR and the University of Bristol on the Where to Withdraw Report, published in 2020.
- 2.5 The impact of this option is that it may raise awareness of the distribution and location of access points across the UK. After consideration, it was decided that this option wouldn't ensure the provision of access facilities to achieve the policy objective stated below. The FCA and PSR already gather data on cash access point locations and will continue to do so on an ongoing basis.
- 2.6 **Option 2: Regulatory intervention within existing responsibilities and powers.** The Bank of England, FCA, PSR, and HM Treasury each have existing roles and responsibilities relating to the cash system.<sup>7</sup> Through coordination by public bodies, industry has taken a range of actions within their existing responsibilities and powers that are helping to support access to cash.
- 2.7 By way of example, in September 2020, the FCA introduced guidance that sets expectations of the relevant specified regulated firms when they are deciding whether and how to reduce their physical branches or the number of free-to-use ATMs (including a closure, or a 'conversion' of a free-to-use ATM to pay-to-use).<sup>8</sup> This seeks to make sure that the way firms implement these decisions leads to fair outcomes for consumers, particularly those who rely on access to cash. Furthermore, the PSR has exercised its statutory powers by issuing Specific Direction 8 to LINK,<sup>9</sup> which ensures that LINK does all it can to uphold its public commitment to protect the broad geographic spread of free-to-use ATMs.

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<sup>7</sup> HM Treasury: Cash and digital payments in the new economy <https://www.gov.uk/government/consultations/cash-and-digital-payments-in-the-new-economy>

<sup>8</sup> FCA: FG20/3 Branch and ATM closures or conversions, FCA, September 2020 <https://www.fca.org.uk/publications/finalised-guidance/fg20-3-branch-and-atm-closures-or-conversions>

<sup>9</sup> Payment Systems Regulator: PSR Specific Direction 8 - <https://www.psr.org.uk/publications/general/psr-specific-direction-8/>

- 2.8 The JACS Group has ensured robust coordination and comprehensive oversight of the overall cash infrastructure across the UK.<sup>10</sup> Whilst the JACS Group has been an important and highly beneficial initiative, it is not a decision-making body, and it remains the case at present that no single authority has overall responsibility or powers for overseeing the maintenance of a well-functioning UK cash system for the benefit of consumers across the range of cash withdrawal and deposit facilities.
- 2.9 Effective coordination between the financial authorities will continue to be critical, but the government considers that this option would not sufficiently ensure that the retail distribution of cash meets the needs of consumers and SMEs. For example, public bodies do not have responsibility or powers to maintain the coverage of cash provision across the range of cash withdrawal and deposit facilities.
- 2.10 **Option 3: Legislate to amend regulatory responsibilities and powers** (Preferred option). In order to protect access to cash it is important to ensure that the provision and distribution of cash withdrawal and deposit facilities meets the needs of consumers and SMEs. In order to achieve this across the different types of facility it is important that regulators have appropriate responsibilities and powers.
- 2.11 The most effective option to protect access to cash is to ensure that withdrawal and deposit facilities are provided for personal customers and deposit facilities are provided for SME customers. In order to achieve this, responsibility can be placed with the Treasury to set requirements for access to cash upon relevant firms. This can then be monitored and enforced by an appropriate body, a role that the Treasury considers FCA would be best placed to fulfil. Under this approach, Treasury would be able to set requirements in a proportionate manner through time and firms would be able to determine the most appropriate solutions in a flexible, cost-effective and sustainable manner, while allowing for innovation and competition. As a result, costs would be contingent on how firms choose to meet requirements.
- 2.12 The government considers that this is the most effective option to meet its policy objective. Further details of this option are outlined below, along with analysis of the impacts.

### 3. Policy Objective and Outline

- 3.1 Following the government's Budget 2020 commitment to bring forward legislation to protect the UK's cash system, it published a Call for Evidence in October 2020.
- 3.2 The Call for Evidence detailed the government's objectives in devising this legislation; namely that it should be:
- proportionate
  - flexible
  - cost-effective, efficient and sustainable
  - support competition and innovation

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<sup>10</sup> JACS Group Update July 2020:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/900535/JACS\\_Group\\_Update\\_July\\_2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/900535/JACS_Group_Update_July_2020.pdf)



- 3.3 The government received 85 views on the Call for Evidence on Access to Cash in 2020 from a broad range of respondents.
- 3.4 Those responses were supportive of the objectives set out and of government intervention to protect access to cash. They have been used to inform HM Treasury's policy development work for cash access.
- 3.5 As summarised in the previous section, the government's preferred option to meet its policy objective is to introduce requirements upon suitable firms to provide reasonable access to withdrawal and deposit facilities within an appropriate distance of where people live.

### Geographical considerations

- 3.6 The government proposes that responsibility is placed with Treasury to set geographic requirements for cash withdrawal and deposit facilities to be provided to personal customers and SME customers.
- 3.7 It proposes that these requirements are based on distance for a percentage of the population (for example, based on economic output areas as defined by the ONS<sup>11</sup>), and that HM Treasury sets the requirements over time, based on evidence provided by the FCA.
- 3.8 As set out in the government's consultation, it might be necessary to set geographic cash access requirements for Northern Ireland and Great Britain separately. This is to allow for consideration of factors such as the market structure.
- 3.9 Through its consultation, the government is seeking views on whether geographic requirements should target maximum simplicity, whether they should initially be set to reflect current geographic coverage of cash facilities, and whether it would be appropriate to set separate requirements for Northern Ireland and Great Britain separately.

### Designating firms

- 3.10 Despite the introduction of more competition in the provision of banking services in recent years, the retail banking space continues to be dominated by a small number of large firms that account for both the majority market share of payment accounts, and much of the physical infrastructure for providing cash.
- 3.11 As part of its approach to cash access legislation, the Government intends to provide the Treasury with powers to designate firms as within scope of cash access requirements.
- 3.12 The Government proposes that decisions regarding the designation of firms will be made based on the following factors:
  - firms' geographic coverage
  - the distribution of firms' consumers within the UK
  - firms' share of the UK's payment account market

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<sup>11</sup> Office for National Statistics – Census Geography (2021):  
<https://www.ons.gov.uk/methodology/geography/ukgeographies/censusgeography#output-area-oa>

- 3.13 In line with its objective that cash access requirements be proportionate, the government will seek to capture the largest retail banking providers, and consequently the majority market share for payment accounts.
- 3.14 It may also be necessary to designate firms for Northern Ireland separately to the rest of Great Britain, recognising that the market structure is different, with some firms accounting for significant market share and operating in Northern Ireland only.
- 3.15 The government is seeking views through its consultation on whether requirements should be targeted at the largest payment account providers and whether there are other factors beyond those listed that should be taken into consideration when designating firms.

## 4. Policy Costs

- 4.1 If the current level of access to cash was maintained initially, there would be no marginal cost to designated firms in year one. In the longer term, the cost to designated firms will depend on:
- i). The supply of cash facilities without intervention (the counterfactual).
  - ii). Any requirements set by HM Treasury.
- 4.2 Without legislation, the future supply of cash provision points will depend on a number of factors, including commercial decisions by providers and demand for cash from consumers. In the absence of reliable datapoints for the future supply of free-to-use cash facilities, scenario analysis can be used to explore how provision could change over time. This approach, as advised in HM Treasury's Green Book guidance<sup>12</sup>, is used to explore the counterfactual for this policy.
- 4.3 The following sections explore scenarios for the counterfactual supply of cash facilities including and excluding cashback with a purchase. The analysis below is not necessarily a forecast of what the government thinks *will* happen, but rather an exploration of what *could* happen without intervention given recent trends. Over the coming months, further research will be taken to forecast the costs of this taking into account appropriate evidence on the counterfactual and other relevant factors.

### *Counterfactual*

- 4.4 To the government's knowledge, reliable forecasts for cash provision points in the UK are not readily available. However, it is possible to explore proxies for future provision through secondary data sources.
- 4.5 Forecasts of demand for cash exist, such as that in UK Finance's 2019 UK Payments Market report.<sup>13</sup> This estimated that cash usage, in terms of the volume of transactions, may decline to around 10% in 2028. This represents a fall of around 57% from the 2019 level. UK Finance did not develop forecasts in the 2020 UK Payments Market report reflecting difficulties such as the impact of the COVID-19 pandemic and its interaction with the economy, policy, changes in the payment industry and consumer preference.

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<sup>12</sup> HM Treasury Green Book Guidance: Chapter 5: Shortlist Options Appraisal

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/938046/The\\_Green\\_Book\\_2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/938046/The_Green_Book_2020.pdf)

<sup>13</sup> UK Finance – UK Payments Markets 2019: <https://www.ukfinance.org.uk/policy-and-guidance/reports-publications/uk-payment-markets-2019>

- 4.6 The government is not aware of a similar projection for the supply of cash access. It is important to note that the number of cash access points in itself does not provide a complete picture of supply, or in turn the costs, as factors such as distribution play an important role. There are also a number of factors which could affect the future provision of cash access points in future years, such as business and consumer preference for cash, and technological change. However, data sources are considered below to inform a proxy.
- 4.7 ATMs are a significant source of cash provision. Data from LINK, the largest cash machine network in the UK, shows that the provision of free-to-use ATMs increased year-on-year between 1998 and 2017, rising from 24,574 ATMs to 54,599 over this period<sup>14</sup>. This precedes a drop to 52,040 in 2018 and then 45,355 and 41,727 in 2019 and 2020 respectively. The decline between 2018 and 2020 may reflect factors such as the decrease in cash use and ATM transactions, and reforms to maintain the sustainability of the ATM network.
- 4.8 The Where to Withdraw report calculated the net change in the number of cash access points in the UK between 2018 and 2020. As well as ATMs, this study also included cashback with a purchase locations; bank, building society and credit union branches; and Post Office branches. The report found that there was a 9% reduction in the total number of cash access points over the two-year period – though the methodology assumes that the number of Post Office branches and some building societies and credit unions are constant at 2018 levels due to available data.<sup>15</sup> Whilst the decline is clear, it does state that it is difficult to draw conclusions from the data as to *why* the changes have occurred, although it "*could reflect declining volumes of cash withdrawals or wider decisions by access point providers*".
- 4.9 When it comes to selecting appropriate figures to inform scenarios for the purposes of this impact assessment, there is therefore significant uncertainty as to how supply will change given the unpredictability of the factors outlined above, and the implications for analysing costs.
- 4.10 The scenario presented below estimates a 4% annual decline in provision points over the 10-year appraisal period. This assumes that the recent decline in provision continues at a similar rate as between 2018 and 2020, as outlined above.

### *Analysis of Counterfactual Including Cashback*

- 4.11 Data from the Where to Withdraw Report indicates that in 2020 there were 99,791 free-to-use access points in the UK including cashback with a purchase.<sup>16</sup> This figure also captures free-to-use ATMs and branches of the Post Office, banks, building societies and credit unions. As noted in the report, the figure for ATMs includes those in bank branches, counting each access point within the branch separately.
- 4.12 Figure 2 shows the change of provision over time under the scenario of a 4% annual decline. It estimates that the UK goes from having 99,791 free-to-use access points in 2020 to 66,344 in 2030, a reduction of 33,447 facilities, or around one third of cash access points.

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<sup>14</sup> LINK Statistics and Trends: <https://www.link.co.uk/about/statistics-and-trends/>

<sup>15</sup> University of Bristol – Where to Withdraw Report 2020: <http://www.bristol.ac.uk/geography/research/pfrc/themes/finexc/where-to-withdraw/>

<sup>16</sup> University of Bristol – Where to Withdraw Report 2020: <http://www.bristol.ac.uk/geography/research/pfrc/themes/finexc/where-to-withdraw/>

**Figure 2: Scenario analysis for counterfactual of free-to-use cash provision points (including cashback)**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
4% annual reduction	99,791	95,799	91,967	88,289	84,757	81,367	78,112	74,988	71,988	69,109	66,344

Source: HM Treasury (2021)

4.13 As noted above, there are a range of factors that may affect this scenario. For example, the government has recently introduced changes to help allow for widespread provision of cashback without a purchase, which may affect the number and distribution of cash access points. There may also be factors which provide an effective floor on the number of access points, including existing policies to protect the geographic coverage of ATMs from LINK and the FCA’s guidance to firms regarding ATMs and branches. The government will continue to explore data sources and evidence presented through the consultation to inform assessment of the impacts.

*Analysis of Counterfactual Excluding Cashback*

4.14 The same dataset from the Where to Withdraw Report suggests that in 2020 there were 62,788 free-to-use access points in the UK excluding cashback.<sup>17</sup> This figure captures free-to-use ATMs and branches of the Post Office, banks, building societies and credit unions. As above, this also holds branch figures for the Post Office and some building societies and credit unions constant at 2018 levels.

4.15 Figure 3 shows the change of provision over time under a 4% annual reduction. It shows a fall from 62,788 access points in 2020 to 41,744 in 2030, a reduction of 21,044 facilities.

**Figure 3: Scenario analysis for counterfactual of free-to-use cash provision points (excluding cashback)**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
4% annual reduction	62,788	60,276	57,865	55,551	53,329	51,196	49,148	47,182	45,295	43,483	41,744

Source: HM Treasury (2021)

4.16 As noted above, there are a range of factors that may affect this scenario and the government will continue to explore data sources and evidence presented through the consultation to inform assessment of the impacts.

<sup>17</sup> University of Bristol – Where to Withdraw Report 2020: <http://www.bristol.ac.uk/geography/research/pfrc/themes/finexc/where-to-withdraw/>

## 5. Policy Benefits

- 5.1 This policy will bring forward a range of benefits. There are expected to be key non-monetary benefits to this policy, for example enabling those with a need or preference for cash to continue transacting.
- 5.2 In 2019, cash accounted for around 23% of payments<sup>18</sup>. Despite a lower overall preference for cash, it is still used by a majority of consumers; research by the PSR indicated that 83% of consumers had used cash in the previous week, mostly for smaller value transactions<sup>19</sup>.
- 5.3 As mentioned previously, the government's Call for Evidence on Cash and Digital Payments found that cash is important as a symbol of independence, as well as an important budgeting tool, and is a way to help elderly or vulnerable people access social opportunities. This is supported by research by the PSR who found that older people are more likely to prefer cash, potentially linked to digital inclusion and access to digital devices.<sup>20</sup> This research also found that individuals with long term health conditions were more likely to prefer cash than those without.
- 5.4 Research by UK Finance also found that cash was the most popular method of payment for those aged 65 and above,<sup>21</sup> accounting for 38% of payments made by respondents. This figure drops to 21% and 16% for those aged 18 to 24 and 25 to 34 respectively and 19% for those aged 35 to 44 who process the most payments on average.
- 5.5 Analysis from the Where to Withdraw Report also suggests that relative to the population, more deprived and urban neighbourhoods are associated with higher total numbers of cash withdrawals.<sup>22</sup> The report indicates that in the UK the most deprived decile saw a 19% decline in the provision of free-to-use ATMs, though as noted above the number of cash access points in itself does not provide a complete picture of supply. There are therefore potential socio-economic benefits to protecting access to cash.
- 5.6 This policy will also benefit businesses that rely on cash transactions. Research by the PSR in 2019 found that over half of the businesses surveyed (54%) accepted cash, rising to 91% for accommodation and food services.<sup>23</sup> There may therefore be benefits to maintaining access to cash for smaller businesses. As the PSR notes, cash can be recycled through these businesses if they pay suppliers and employees in cash, or it is taken as personal wages.
- 5.7 The government will continue to explore data sources and evidence presented through the consultation to inform assessment of the beneficial impacts.

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<sup>18</sup> UK Finance: UK Payments Markets Summary 2020 - <https://www.ukfinance.org.uk/system/files/UK-Payment-Markets-Report-2020-SUMMARY.pdf>

<sup>19</sup> Payment Services Regulator – Access to Cash Report 2019: <https://www.psr.org.uk/media/qnslp3ma/psr-access-to-cash-full-report-july-2019.pdf>

<sup>20</sup> Payment Services Regulator – Access to Cash Report 2019: <https://www.psr.org.uk/media/qnslp3ma/psr-access-to-cash-full-report-july-2019.pdf>

<sup>21</sup> UK Finance – Payments and Markets Report 2020: <https://www.ukfinance.org.uk/policy-and-guidance/reports-publications/uk-payment-markets-2020>

<sup>22</sup> University of Bristol – Where to Withdraw Report 2020: <http://www.bristol.ac.uk/geography/research/pfrc/themes/finexc/where-to-withdraw/>

<sup>23</sup> Payment Systems Regulator – Access to Cash: <https://www.psr.org.uk/news-updates/latest-news/news/psr-publishes-detailed-research-into-how-people-and-business-access-cash/>

## **6. Small and MicroBusiness Assessment (SaMBA)**

- 6.1 The government proposes that HM Treasury is responsible for designating firms that would be required to meet requirements relating to access to cash. Under this approach, the Treasury would take account of criteria relating to: firms' geographic coverage; distribution of firms' consumers within the UK; and firms' share of the UK's payment account market. As a result, it is anticipated that designated firms would consist of larger retail banks.
- 6.2 The proposals would not directly affect small or micro-businesses. Exemptions for small and microbusinesses would therefore not be appropriate or relevant for this legislation.

## **7. Wider Impacts**

- 7.1 As discussed above, evidence suggests that cash use is associated with certain groups who share protected characteristics, such as age and disability. As a result, the government believes that this policy, which aims to prevent the financial exclusion of such groups, is likely to advance equality of opportunity between people who share such protected characteristics and people who do not.

## **8. Monitoring and evaluation**

- 8.1 A key aspect of the government's legislative approach to this policy is to ensure effective monitoring and evaluation.
- 8.2 Under the preferred option, it is proposed that HM Treasury are responsible for setting geographic requirements regarding the distribution of cash withdrawal and deposit facilities and designating firms that are required to meet these requirements.
- 8.3 The government proposes that the FCA will be responsible for maintaining data on cash access and will be responsible for effectively monitoring geographic access on an ongoing basis to help inform Treasury's decision-making process under those responsibilities. As part of this approach, it is proposed that there are requirements to ensure timely and regular reviews of decisions made under those responsibilities.
- 8.4 It is proposed that the FCA will also be responsible for monitoring and evaluating whether designated firms are meeting the requirements. The FCA will be given enforcement powers over firms that fail to meet requirements.
- 8.5 The government plans to carry out a review of this legislation from time to time to ensure the legislation achieves the objectives it sets out to achieve and to assess whether the objectives remain appropriate going forward.
- 8.6 The government is seeking views on these issues through its consultation.