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Consultation response

Which? response to independent Review on Access to Banking Services

- We welcome the Review. The move to digital banking services has brought benefits to many consumers, offering them greater ease and convenience, but some people still need access to alternative methods, such as branches. Which? has found that customers who prefer traditional ways of banking are increasingly overlooked by their banks. Yet FCA figures (May 2024) reveal 7% of current account holders (3.3m people) do not bank online or use a mobile app. Those most reliant on bank branches for everyday banking needs include: older people, the digitally excluded and those on low incomes. Many more people may need branch access for assistance with complex tasks often prompted by key life events such as managing bereavement, executing Power of Attorney or resolving fraud issues. Meanwhile Cash Access UK highlights that in addition to functional drivers for usage, behavioural and emotional factors can also be important.

- It's right that the impact on consumers of the huge numbers of bank branch closures that have occurred over recent times is being properly evaluated. The sheer scale of changes to the bank branch network is breathtaking. Which? has been tracking bank branch closures since 2015 and our latest figures reveal:
    - Banks and building societies have closed 6,850 branches since January 2015, at a rate of around 53 each month - equivalent to approximately 69% of the branch network;
    - There are 55 Parliamentary Constituencies without a single bank branch; and
    - There are 100 Parliamentary Constituencies that are down to their last branch.

  Given the continued shift towards digital banking and the cost of retaining bank branches, it seems likely that banks will continue to close branches across the UK.

- To date, banks have been able to determine the size and shape of their branch networks on a commercial basis. FCA Guidance and the Consumer Duty set out the steps firms should take when closing a branch, including to consider the impact of planned branch closures on their customers' everyday banking and cash access needs and put in place alternatives where reasonable, but the FCA is clear that its formal powers extend only to access to cash rather than in-person banking.

- Legislation to protect access to cash has had some positive spillover effects in terms of access to (shared) bank branches and banking services. The FCA final rules on Access to Cash empower LINK to mandate community solutions that maintain cash withdrawal and deposit services whenever a local branch closes. To date, this has resulted in the opening of 237 shared banking hubs. The government has committed to roll out 350 hubs by the end of the current Parliament. While we warmly welcome this progress, we must now consider expanding the number of hubs beyond this arbitrary target to address the gaps in in-person banking services caused by the large number of bank branch closures.

It is clear that consumers value shared banking hubs. Which? has found first-hand evidence of their positive impacts[1], while Cash Access UK reports that 95% of customers' cash and banking needs were met in the banking hub and nearly 9 in 10 would recommend banking hubs to friends and family. Despite this, there remains room for improvement with the operation of hubs; current frustrations include limited operating hours offered by representatives of the banks, the restricted range of services, and a lack of consistency.

It is critical to recognise that currently legislation covers only cash withdrawals and deposits, and the provision of shared banking hubs relies on voluntary undertakings from the banking industry. As the Review notes in its Call for Evidence, there are currently no existing legislative or regulatory protections for the provision of access to in-person banking services. The continued provision of some level of in-person banking services should be put on a firmer, statutory footing. Currently the independent assessment conducted by LINK scrutinizes only access to cash when a bank branch is proposed for closure. This assessment should be extended to consider access to essential in-person banking services, with in-person banking solutions mandated where they are required based on an assessment of the local circumstances and needs. What constitutes essential banking services will need to be defined but we suggest any definition should include opening / closing accounts, dealing with complex tasks such as registering deaths or setting up / amending Power of Attorney, and helping customers deal with suspected cases of fraud.

- In 2019 the Access to Cash review warned that we were in danger of sleepwalking into a cashless society. It helped to prompt a more measured and deliberative approach which has successfully protected those reliant on cash. LINK has reported that *"despite a 50% reduction in cash usage, and a significant reduction in the cash infrastructure since 2019, over 96% of the population live within the Government's tolerance for cash access – the same as in 2019",* and has also noted that the shared approach to managing access to cash has been replicated in other countries such as Ireland.

  We are concerned that we are at a similar juncture with access to banking services. We are witnessing a rapid transformation of the way banking services are provided and while this brings substantial benefits for many, to date there has been no comprehensive assessment of the negative impacts on those who may be left behind and what

[1] *Banking hubs: why are we waiting?,* Which? Money magazine, April 2023, p.8-9

measures may be required to protect them and ensure that they can continue to access some form of banking services. It is our hope that the Review will provide a robust evidence base for informed decisions to be taken to allow all UK adults, including those unable to use digital banking services, reasonable access to in-person banking services.

About Which?

Which? is the UK's consumer champion, here to make life simpler, fairer and safer for everyone. Our research gets to the heart of consumer issues, our advice is impartial, and our rigorous product tests lead to expert recommendations. We're the independent consumer voice that works with politicians and lawmakers, investigates, holds businesses to account and makes change happen. As an organisation we're not for profit and all for making consumers more powerful.

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