

Virendra Sharma MP
and
Rt Hon Dame Maria Miller MP
Financial Services and Markets Bill - Committee Chairs
House of Commons
London
SW1A 0AA

27 October 2022

Our Ref: 221020A

Dear Ms Miller and Mr Sharma

RE: Financial Services and Markets Bill 2022

Further to my oral evidence session at the above Committee on 19 October I am writing to follow up on the questions which were asked by Siobhain McDonagh MP on access to cash and branch closures. I wanted to clarify a couple of points raised, and to expand on the point about ATMs that Ms McDonagh raised at the very end of the session. In light of the debate which took place at second reading, I gather that the line of questioning would have explored whether or not the access we plan to protect would be free; I know this is of great concern to MPs and their constituents.

Do the provisions of the Financial Services and Markets Bill (FSMB) add to the FCA's capacity to prevent bank branch closures?

The Bill will provide us with powers relating to cash access only. These new powers will enable us to ensure there is reasonable provision of cash withdrawal and deposit facilities. The powers do not extend to the provision of wider banking services and are not specifically directed towards the maintenance of branch networks.

Ultimately, the legislation is drafted neutrally regarding the type of facility or service providing access to cash withdrawals and deposits.

Where a branch is a source of cash access services in an area, intervening in its closure would in principle be within the scope of our new powers provided that this fulfilled the purpose of seeking to ensure the reasonable provision of cash access services. However, we would have to act proportionately and take into consideration other factors such as whether reasonable cash provision could be provided through alternative solutions. With this in mind, it is possible that any intervention under these powers in relation to bank branches might only be temporary whilst alternative arrangements to ensure reasonable cash provision are put in place. But we will need to develop and consult on the rules and guidance that will set out our approach.

Outside of this Bill, under our existing powers and recently strengthened guidance on branch closures, we will continue to ensure customers are treated fairly when branches close or services or opening hours are reduced in a way that will have a significant impact. We expect firms to assess the needs of branch customers, including relevant businesses, and the likely impact of any closure on them. Where it is identified that an alternative service should be provided firms should make sure that it is in place and accessible to customers before a closure is implemented. We have asked firms to delay their closure plans where we are not satisfied they are treating customers fairly.

Will the FCA ensure the access to cash is free?

We know that increases in the cost of living may see more people relying on cash to manage their personal finances. We are also alert to the extra costs associated with reliance on pay-to-use ATMs, particularly when consumers need to regularly access smaller amounts and are having to pay charges each time.

The Payment Systems Regulator has given Specific Direction (SD12) to LINK to maintain the broad geographic spread of the UK's free-to-use cash machine network, and consumers can also access cash for free at Post Office branches and use cashback without purchase. We expect our future rules and guidance under the new legislation to consider the role of free access for personal consumers, but we will need to develop our proposals for future rules and undertake a consultation on them which will ultimately determine our approach.

In seeking to ensure reasonable provision of cash access services we will have regard to a cash access policy statement to be published by HM Treasury and the final scope of the legislation. Our approach will focus on addressing local deficiencies which have significant impacts. We expect to consider the number of people likely to be affected by a deficiency, their characteristics including socio-economic barriers, and the likely impact of not having access. A lack of free access is one of the factors we could consider in determining whether a local deficiency results in a significant impact.

We will be finalising our proposals and consulting on new rules next year once the Bill has Royal Assent and will reach out to Parliamentarians as part of our usual consultation process.

I hope that this is helpful.

Yours sincerely,

A handwritten signature in black ink that reads "Sheldon Mills". The signature is written in a cursive, slightly slanted style.

Sheldon Mills
Executive Director, Consumers and Competition