

### **ACS Submission: Access to Banking**

1. ACS (the Association of Convenience Stores) welcomes the opportunity to submit evidence to the National Assembly for Wales' Economy, Infrastructure and Skills Select Committee inquiry on access to banking. ACS represents almost 3,000 local shops and petrol forecourts in Wales including Co-op, McColls, BP and thousands of independent retailers trading under brands such as Budgens, Spar and Filco. Further information about ACS is available at Annex A.
2. Convenience stores provide access to financial services in communities across Wales, offering bill payment services (67%), ATMs (65%) cashback (64%) and Post Office branches (29%)<sup>1</sup>. The sector has a unique reach, trading across rural (62%), urban (16%) and suburban (22%) locations, including on larger high streets or city centres (7%), neighbourhood parades or high streets (47%) and as isolated shops providing the only local retail and service provision for an area (46%)<sup>2</sup>.
3. The withdrawal of bank branches and their ATMs in Wales is having a profound impact on access to banking services for retailers, consumers and wider high streets as social and economic hubs. Where bank branch closures occur and the Access to Banking Standard is followed, affected banking customers are often directed to Post Office branches hosted in convenience stores, which can process basic banking transactions including cash withdrawals and balance enquiries. Although convenience retailers are processing a higher number of banking transactions through their Post Office counters, the Post Office network does not have the coverage to provide a nationwide solution for access to cash.
4. This inquiry should seek to protect nationwide access to cash as a vital banking service for communities. Bank branch closures and the associated withdrawal of ATMs has increased the role that ATM operators and convenience stores play in providing consumers with access to cash. However, across the UK over 250 free-to-use (FTU) ATMs are being forced to convert to pay-to-use models per month due to cuts in the interchange fees paid by banks to ATM operators and retailers to provide the machines<sup>3</sup>. The Welsh Government should urge the Payment Systems Regulator to act on LINK's interchange fees to sustain access to banking services in all Welsh communities.
5. The Welsh Government should also support access to cash through its new business rates powers by exempting FTU ATMs from business rates bills. Retailers are billed £4,000 on average for hosting an ATM, separately to rates payable for the shop<sup>4</sup>, which acts as a significant disincentive to their deployment. Therefore, regardless of the outcome of an ongoing legal case on ATMs<sup>5</sup>, we believe FTU ATMs should be exempted from business rates to support their commercial viability and recognise their role to provide access to cash and encourage consumer spending on the high street.

**For more information on this submission, please contact Steve Dowling, ACS Public Affairs Manager, via [steve.dowling@acs.org.uk](mailto:steve.dowling@acs.org.uk) / 01252 533009.**

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<sup>1</sup> ACS Welsh Local Shop Report 2019

<sup>2</sup> ACS Welsh Local Shop Report 2019

<sup>3</sup> <https://www.link.co.uk/about/statistics-and-trends/>

<sup>4</sup> [£300m of business rates refunds held until "cash tax" decision reached](#) Retail Gazette. 21 May 2018

<sup>5</sup> <https://www.propertyweek.com/news/potential-496m-retailers-rebate-delayed-by-voa-challenge-on-atm-business-rates-ruling/5100273.article>

## Banking Services

6. Statistics from Which? suggest that at least 3,318<sup>6</sup> bank branches have closed since 2015 (at a rate of 70 branches per month) from a branch network of 10,745<sup>7</sup>. Although some banking services can be completed online where good digital connectivity is available, internet speed and availability cause delays or difficulties to business tasks for one-in-three (31%) independent convenience retailers in Wales<sup>8</sup>. For other customer missions, including account services and depositing and withdrawing cash, both domestic and business consumers remain reliant on physical locations. This underlines the importance of the Access to Banking Standard in ensuring banks communicate at the earliest opportunity when local branches are closing and support their customers to find alternative provision.
7. Bank branch closure programmes and the withdrawal of associated ATMs has restricted access to cash for consumers. Although convenience retailers are responding to changing consumer preferences, for example by offering contactless (available in 80% of stores) and mobile payments (63%), cash remains the dominant payment method in the sector, with 76% of customers indicating they paid by cash after leaving their local shop<sup>9</sup>. Access to cash should be protected to meet these consumer preferences.
8. The Committee should consider access to cash as a key banking service to be protected into the future. ACS does not support one payment method over another but believes all payment methods should be available to consumers for as long as they are demanded. Research from the Access to Cash Review has found that 17% of the UK population would struggle to cope in a cashless society, calling for cash to become a core part of national infrastructure<sup>10</sup>.
9. Cash is a resilient payment method because it is relied upon by 2.7 million people according to the Bank of England, spread relatively evenly across age groups<sup>11</sup>. The House of Lords Financial Exclusion Committee found that there are more than 1.7 million people living without a bank account, while around half of people with a basic bank account choose to manage their money in cash<sup>12</sup>. Cash is almost universally accepted and supports financial inclusion, contributing to the clear value attributed to it from consumers. Cash also helps consumers to manage their spending, with research suggesting individuals less accurately recall their outgoings when made using digital payment methods<sup>14</sup>.
10. Consumers also value flexibility in how they pay for goods and services, including using cash as a contingency for when digital payment systems go down. Several incidents in the last year have undermined the reliability of digital payment methods, for example the Visa card temporary scheme failure<sup>15</sup>. These incidents have all demonstrated the value of cash as a backup payment method for all consumers.
11. Cashback through convenience stores is *not* a suitable solution to this access to cash problem. Cashback would present further challenges for retailers by increasing threats of robberies from holding more cash on the premises, increasing insurance premiums and switching the costs for supplying cash from banks through interchange fees to retailers through their card processing costs. The labour demands associated with managing additional cashback transactions would also increase queuing

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<sup>6</sup> Which? [Bank branch closures: is your local bank closing?](#) April 2019. House of Commons Library.

<sup>7</sup> [Bank branch closures](#) House of Commons Library.

<sup>8</sup> ACS Voice of Local Shops Survey: February 2018

<sup>9</sup> ACS Local Shop Report 2018

<sup>10</sup> <https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf>

<sup>11</sup> [Insights into the future of cash](#) Bank of England. 13 June 2017

<sup>12</sup> <https://www.parliament.uk/business/committees/committees-a-z/lords-select/financial-exclusion/news-parliament-2015/financial-exclusion-report-published/>

<sup>13</sup> <http://www.financialinclusioncommission.org.uk/facts>

<sup>14</sup> <https://www.news.com.au/finance/money/costs/scientists-prove-paying-with-plastic-is-more-dangerous-for-your-budget/news-story/15222db4af403b8c5410b1582b9c349d>

<sup>15</sup> <https://www.theguardian.com/business/2018/jun/01/visa-card-network-failure-what-we-know-so-far>

times for consumers and restrict retailers' ability to improve colleague productivity at a time of increased employment costs.

## **The Post Office Network**

12. The Post Office network can contribute towards solving the access to cash problem through its over-the-counter cash withdrawal services. The Post Office and UK Finance have launched a campaign to raise awareness of basic banking services available in-branch for domestic and business customers, which is focused on areas with limited bank branch coverage<sup>16</sup>.
13. For convenience retailers, Post Office branches can accept 'walk-in' deposits of up to £2000 per transaction and 90% of deposits in Post Offices are below the £2,000 threshold<sup>17</sup>. For sums above that figure, Post Office and the relevant bank work with the customer to arrange specific services up to an agreed sum.
14. For consumers, ACS' Community Barometer research finds that banks are the second most wanted services, suggesting that enveloping banking services into Post Office branches in a context of continual bank branch closures is popular<sup>18</sup>. ACS' Rural Shop Report finds that ATMs are the most valuable services for shoppers aged 18 – 24, also indicating the importance of Post Office counters providing access to cash where no ATM is available<sup>19</sup>.
15. Post Offices are valuable providers of financial services including access to cash but cannot directly replace the ATM network. Consumers can only access cash through Post Offices during shop opening hours and the location of Post Offices does not extend to all high streets and neighbourhood parades where there is demand for access to cash.

## **The ATM Network**

16. The ATM network is the only existing national infrastructure suited to deliver nationwide access to cash. Convenience retailers have become key stakeholders to this network, taking on ATMs as bank branches close alongside their associated ATMs. 48% of retailers in Wales host a FTU ATM and 17% a PTU ATM. However, the future of the ATM network in the convenience sector is at threat from business rates bills and changes to LINK interchange fees. Business rates bills for ATMs are a significant disincentive to hosting an ATM, while changes to LINK interchange fees are already causing operators to switch independent retailers' ATMs from PTU to FTU models.
17. Every time a consumer uses a FTU ATM an interchange fee is paid from their card issuer (bank or building society) to the operator of the ATM they are using. ATM operators split this interchange fee income with retailers through contracts based on a retailer hosting the machine in exchange for servicing and other costs. LINK has arbitrarily reduced these interchange fees in July 2018 and January 2019 (from 25p to 22.5p per transaction), despite these previously being set by an independent cost study. Further cuts to interchange fees are likely as LINK looks to reduce the costs of sustaining the network for its banking members<sup>20</sup>.
18. These cuts are now causing over 250 FTU ATMs to be lost per month across the UK and retailers cannot be expected to subsidise the ATM network<sup>21</sup>. This is causing detriment to consumers by restricting access to their cash. LINK's Financial Inclusion Programme, which intends to secure

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<sup>16</sup> <https://www.ukfinance.org.uk/banks-and-post-office-to-raise-greater-awareness-of-banking-services-available-in-local-post-office-branches/>

<sup>17</sup> [House of Commons Scottish Affairs Committee](#). 17 January 2018. Q49

<sup>18</sup> ACS Local Shop Report 2018

<sup>19</sup> ACS Rural Shop Report 2019

<sup>20</sup> <https://www.link.co.uk/membership/members/>

<sup>21</sup> <https://www.link.co.uk/about/statistics-and-trends/>

nationwide access to ATMs and has been expanded while these cuts take effect, is failing. LINK's own data shows that 6% of its 'protected' ATMs are no longer transacting, creating ATM blackspots, while the 'super premium' to protect isolated ATMs will only apply to a very small number of ATMs<sup>22</sup>.

19. LINK is regulated by the UK-wide Payment Systems Regulator, The Welsh Government should therefore adopt a role to pressure the Payment Systems Regulator to ensure LINK's interchange fees account for ATM operating costs to promote a sustainable network across Wales, including in rural and suburban locations where access to banking services is under threat.
20. The Welsh Government could support the provision of ATMs using its business rate powers. 'Hole in the wall' ATMs have been liable for business rates since a Valuation Office Agency ruling for England and Wales in 2013. Business rates bills are sent to ATM operators, but the contract between a retailer and ATM provider often directly passes on the cost of ATM rates bills to retailers. Retailers are now billed £4,000 on average for hosting an ATM, in addition to rates payable for the shop<sup>23</sup>.
21. This business rates burden actively disincentivises convenience retailers from hosting ATMs to provide access to cash for consumers. We believe FTU ATMs should be exempted from rates liability in recognition of their role to provide access to cash and encourage consumer spending in businesses across the high street<sup>24</sup>. This exemption should be brought forward regardless of the outcome of an ongoing legal case about whether hole-in-the-wall ATMs should be separate entries on the rating list<sup>25</sup>. This would reduce costs for retailers, thereby strengthening commercial incentives to retain an ATM and maintaining local ATM coverage.

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<sup>22</sup> [https://www.link.co.uk/media/1424/v-96-link-scheme-ltd-change-control-method4-change-2019-l041\\_19-atm-footprint-report.pdf](https://www.link.co.uk/media/1424/v-96-link-scheme-ltd-change-control-method4-change-2019-l041_19-atm-footprint-report.pdf)

<sup>23</sup> [£300m of business rates refunds held until "cash tax" decision reached](#) Retail Gazette. 21 May 2018

<sup>24</sup> <https://www.telegraph.co.uk/business/2018/05/20/atm-rates-row-goes-appeal-court/>

<sup>25</sup> <https://www.propertyweek.com/news/court-of-appeal-overturms-atm-business-rates-ruling/5099769.article>



## Annex A

### ABOUT ACS

The Association of Convenience Stores lobbies on behalf of over 46,000 convenience stores across mainland UK on public policy issues that affect their businesses. ACS' membership is comprised of a diverse group of retailers, from small independent family businesses running a single store to large multiple convenience retailers running thousands of stores.

Convenience stores trade in a wide variety of locations, meeting the needs of customers from all backgrounds. These locations range from city centres and high streets, suburban areas such as estates and secondary parades, rural villages and isolated areas, as well as on petrol forecourts and at travel points such as airports and train stations.



### WHO WE REPRESENT

#### INDEPENDENT RETAILERS



ACS represents over 19,000 independent retailers, polling them quarterly to hear their views and experiences which are used to feed in to Government policy discussions.

These stores are not affiliated to any group, and are often family businesses with low staff and property costs. Independent forecourt operators are included in this category.

#### SYMBOL GROUPS AND FRANCHISES



ACS represents over 14,000 retailers affiliated with symbol groups. Symbol groups like SPAR, Nisa, Costcutter, Londis, Premier and others provide independent retailers with stock agreements, wholesale deliveries, logistical support and marketing benefits.

Symbol group forecourt operators and franchise providers like One Stop are also included in this category.

#### MULTIPLE AND CO-OPERATIVE BUSINESSES



ACS represents over 12,000 stores that are owned by multiple and co-operative retailers. These businesses include the Co-Operative, regional co-operative societies, McColls and others.

Unlike symbol group stores, these stores are owned and run centrally by the business. Forecourt multiples and commission operated stores are included in this category.

### THE CONVENIENCE SECTOR



In 2018, the total value of sales in the convenience sector was £39.1bn.

The average spend in a typical convenience store transaction is £6.50.



There are 46,262 convenience stores in mainland UK. 72% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.



The convenience sector provides flexible employment for around 365,000 people.

24% of independent/symbol stores employ family members only.



24% of shop owners work more than 70 hours per week, while 19% take no holiday throughout the year.

70% of business owners are first time investors in the sector.



Convenience stores and Post Offices poll as the two services that have the most positive impact on their local area according to consumers and local councillors.

81% of independent/symbol retailers have engaged in some form of community activity over the last year.



Between August 2017 and May 2018, the convenience sector invested over £814m in stores.

The most popular form of investment in stores is refrigeration.

### OUR RESEARCH

ACS polls the views and experiences of the convenience sector regularly to provide up-to-date, robust information on the pressures being faced by retailers of all sizes and ownership types. Our research includes the following regular surveys:

#### ACS VOICE OF LOCAL SHOPS SURVEY

Regular quarterly survey of over 1,200 retailers, split evenly between independent retailers, symbol group retailers and forecourt retailers. The survey consists of tracker questions and a number of questions that differ each time to help inform ACS' policy work.

#### ACS INVESTMENT TRACKER

Regular quarterly survey of over 1,200 independent and symbol retailers which is combined with responses from multiple businesses representing over 3,000 stores.

#### ACS LOCAL SHOP REPORT

Annual survey of over 2,400 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 7,669 stores. The Local Shop Report also draws on data from HIM, IGD, Nielsen and William Reed.

#### BESPOKE POLLING ON POLICY ISSUES

ACS conducts bespoke polling of its members on a range of policy issues, from crime and responsible retailing to low pay and taxation. This polling is conducted with retailers from all areas of the convenience sector.