

ACS Submission: Access to Cash Consultation

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to the HMT access to cash consultation. ACS represents 33,500 local shops and petrol forecourts including Co-op, McColls, BP and thousands of independent retailers, many of which trade under brands such as Spar, Nisa and Costcutter. Further information about ACS is available at Annex A.

The payments mix and use of payment methods in the convenience sector is diversifying rather than following a simplistic transition from cash to digital as mobile payments become mainstream and open banking fintechs begin developing payment products aimed at retail. It is in this context that convenience retailers make a valuable contribution to financial inclusion across the country, providing cashback (70%), free-to-use ATMs (49%), pay-to-use ATMs (23%) and Post Offices (24%)¹. The convenience sector is also unique amongst business sectors by trading across all urban (37%), suburban (26%) and rural (37%) communities².

ACS is payments neutral and retailers perceive that cash use is generally in decline, with 74% indicating they will handle less cash over the next five years³. However, legislation is required to ensure the cash system and its infrastructure is sustainable for convenience store customers who rely on cash as well as retailers and the wider economy. The Covid-19 pandemic saw an initial decline in the proportion of cash transactions in local shops as people followed guidance encouraging contactless payments, but this has now stabilised and somewhat reversed.

Legislation to secure long-term access to cash must be introduced without delay and announced by the next Queen's Speech. Interim measures, including Specific Direction 8 on LINK, FCA guidance on ATM closures and the Access to Banking Standard, should remain in place beyond the enactment of legislation. Minimum access requirements for withdrawing cash should at least mirror coverage for local neighbourhoods when the government committed to legislation in March 2020. Competition for business deposit facilities should be encouraged via the ongoing pilots and the Post Office network.

Legislation must go beyond setting geographic-based minimum access requirements to avoid accelerating moves away from established cash access infrastructure towards less suitable or secure withdrawal facilities. There is a real risk that enacting legislation which only covers minimum access requirements could lead to banks withdrawing from existing LINK and Post Office Banking Framework commitments. Uncertain access to ATMs or Post Office services based on banking provider would artificially reduce cash use further.

Legislation must restore the independent setting of interchange fees for ATMs and mandate bank participation within LINK or a replacement body under government jurisdiction. The Post Office Banking Framework must continue to cover all major UK banks and cashback without purchase cannot be a widespread solution.

For more information on this submission, please contact ACS Public Affairs Manager Steve Dowling via steve.dowling@acs.org.uk

Cash Access Requirements

¹ ACS Local Shop Report 2021

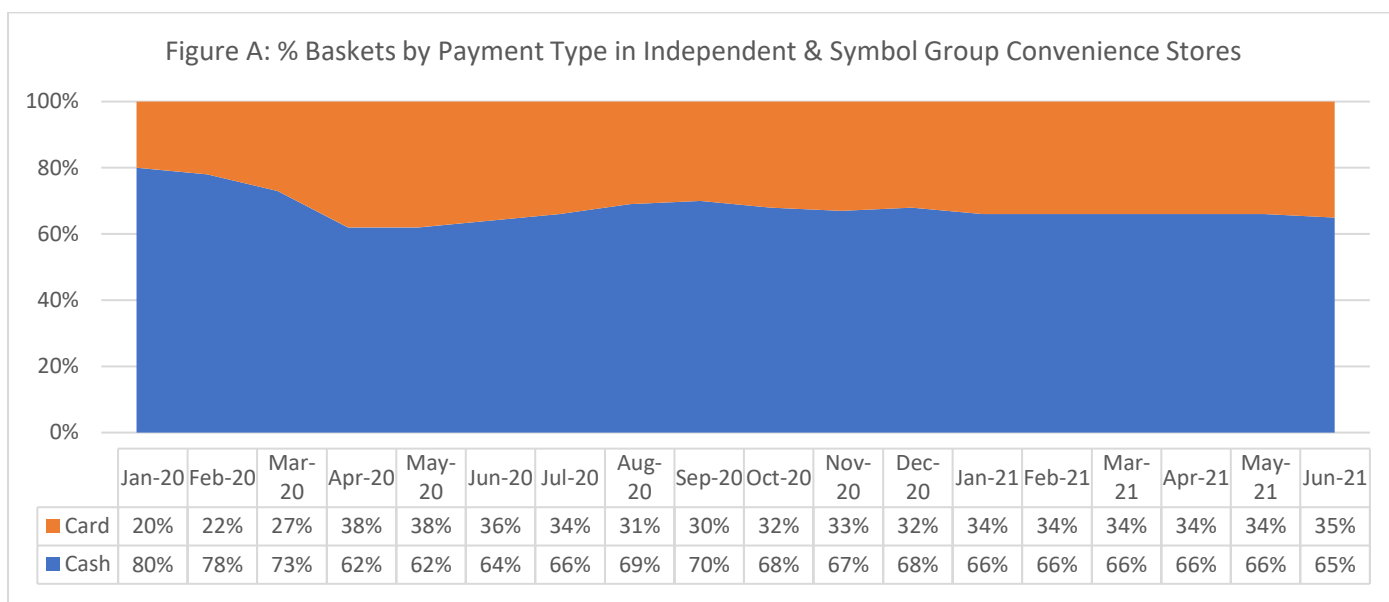
² ACS Local Shop Report 2021

³ ACS Voice of Local Shops Survey: May 2018

Question 1: Do you agree that legislation should provide the government with powers to set geographic requirements to ensure the provision of withdrawal and deposit facilities to meet cash needs through time?

Yes. Securing long-term access to cash is important for financial inclusion, national economic security and preventing spikes in payment processing costs for retailers. Legislation is the necessary route towards securing long-term access to cash – reliance on voluntary industry initiatives and commitments has already been shown to be fragile, rural and suburban communities have consistently had worsening coverage over recent years and responsibility and powers over access to cash across government are too dispersed across regulators.

A significant proportion of convenience store customers remain reliant on cash, despite the pandemic. Covid-19 preceded an initial reduction in cash payments as retailers were advised to encourage contactless payments, which has now partly reversed and stabilised. 65% of transactions were paid for using cash in independent and symbol group convenience stores in June 2021, compared to 78% in February 2020 (see Figure A)⁴. The proportion of transactions by payment method varies considerably depending on store location and customer profile.



The Access to Cash Review found that 17% of the UK population would struggle to cope in a cashless society⁵. Britain Thinks research commissioned by the Payment Systems Regulator also shows that ‘the majority of consumers use cash regularly’, with 83% of consumers using a FTU ATM within the past month and 67% of consumers using cash more than once in the past week⁶. 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 cash⁷.

Sustainable access to cash is reliant on reasonable access to cash deposit facilities for businesses to prevent cash from becoming disproportionately expensive relative to alternative payment methods. This underlines the importance of minimising cash deposit fees and the Bank of England’s work to consolidate the wholesale supply chain, but also setting geographic requirements for business deposit facilities. ACS’ Local Shop Report 2021 finds that all but a small handful of convenience stores accept cash⁹. Figure B demonstrates perceptions about the relative cost of cash and card for retailers¹⁰.

⁴ Evolution of Payments in the UK’s Independent Convenience Stores. The Retail Data Partnership. June 2021

⁵ [Access to Cash Review](#) December 2018.

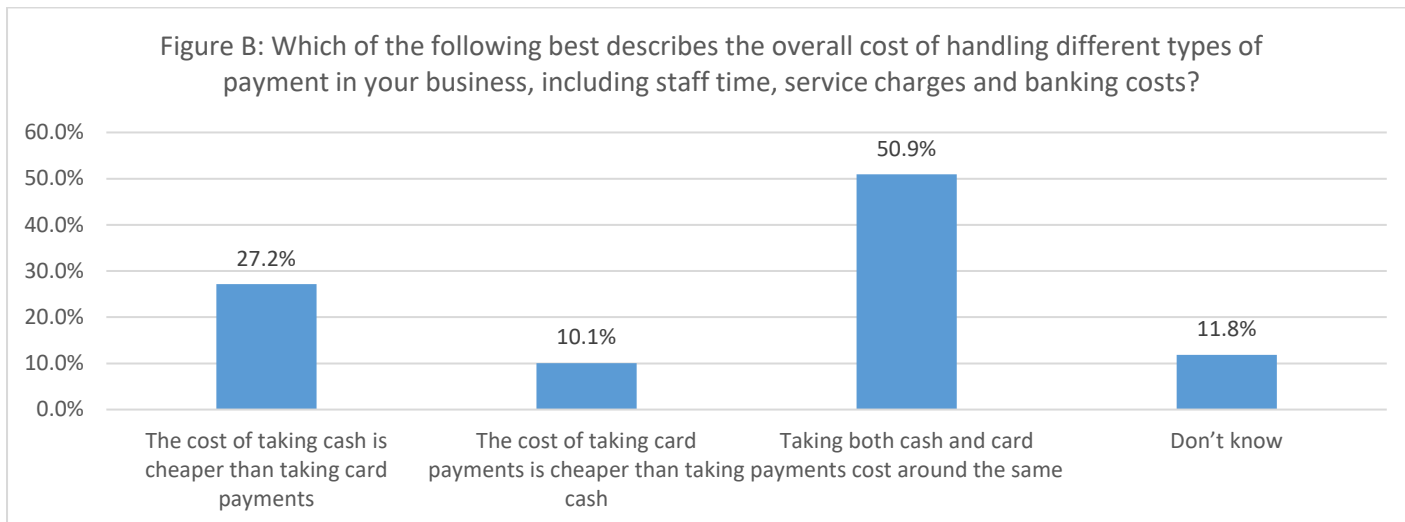
⁶ Britain Thinks. [Access to cash research with consumers and small businesses](#) July 2019.

⁷ <https://www.parliament.uk/business/committees/committees-a-z/lords-select/financial-exclusion/news-parliament-2015/financial-exclusion-report-published/>

⁸ <http://www.financialinclusioncommission.org.uk/facts>

⁹ ACS Local Shop Report 2021

¹⁰ ACS Voice of Local Shops Survey: August 2020



Legislation to secure access to cash is also required to mitigate the economic risk of crisis incidents, ranging from digital payment systems failing as we have already seen (e.g. Visa¹¹, M&S¹²) to potential cyber-attacks or natural disasters disrupting the Power Grid or other infrastructure. This was a key motivation behind the Swedish Government legislating to protect cash despite having the lowest proportion of cash transactions amongst its population in the world¹³.

Stabilising Key Cash Access Networks

Legislation should go beyond setting geographic-based minimum access requirements to avoid accelerating moves away from established ATM infrastructure towards less reliable or accessible withdrawal facilities. There is a real risk that enacting legislation which only covers minimum access requirements could lead to banks withdrawing from existing LINK and Post Office Banking Framework commitments, negatively impacting consumer access to cash and crucially understanding about access to specific facilities based on banking providers. This would artificially reduce cash use further. There is a need to recognise all cash access points are not equal to ensure sustainable solutions are achieved.

Legislation must restore the independent setting of interchange fees for ATMs and mandate bank participation within LINK or a replacement body under government jurisdiction. ATMs are the only suitable national infrastructure for access to cash and overwhelmingly preferred by consumers and retailers for privacy and security reasons¹⁴. The fundamental reason LINK detracted from its independent cost study model alongside KPMG was due to internal threats from its banking members to leave the scheme. This decision led to the widescale conversion of ATMs from free-to-use to pay-to-use. Retailers and ATM operators cannot be left to subsidise the ATM network but the network itself is the best method to deliver nationwide access to cash.

The Government should also ensure the Post Office Banking Framework continues to cover all the major UK banks and that retailers are adequately compensated for taking on this service. Barclays threatening to withdraw from the Post Office Banking Framework highlighted how competitive pressures from the financial industry could jeopardise cash access through Post Offices. This is despite ACS' Community Barometer research finding that banks are the most wanted services by consumers, suggesting that banking services in Post Offices are increasingly relevant¹⁵. The Post Office network does not have the reach to supply cash in all locations but is a valuable supplement to the ATM network.

¹¹ <https://www.theguardian.com/business/2018/jun/01/visa-card-network-failure-what-we-know-so-far>

¹² <https://www.thesun.co.uk/money/7014074/marks-spencers-card-payment-system-down-across-the-uk-causing-chaos-for-shoppers/>

¹³ <https://worldpay.globalpaymentsreport.com/en/>

¹⁴ Britain Thinks. [Access to cash research with consumers and small businesses](#) July 2019.

¹⁵ ACS Community Barometer 2021

We supported enabling legislation for cashback without purchase from shops, but this should not be viewed as a panacea. Guaranteed remuneration is required if the government wants cashback to become a larger part of access to cash. 70%¹⁶ of convenience retailers offer cashback but this is only advertised by 15%¹⁷ of stores due to the cost of processing cashback transactions (15p minimum for a one-minute transaction based on NLW rate alone), losses in staff productivity and higher security risks and insurance premiums. Retailers typically limit the amount of cash in till draws to anywhere from £100 - £200 to reduce risk. Cashback is often limited at £50, lower than the July 2021 average ATM transaction value of £51.69¹⁸. A convenience store can process very few cashback transactions relative to an ATM.

Question 2: Do you agree that legislative geographic requirements should target maximum simplicity?

Simplicity should be a supporting objective for setting the geographic requirements, behind a primary objective to ensure cash access needs are met across all communities and demographics and further objective to be trackable and enforceable.

The ONS definition of neighbourhood is a suitable proxy against which to set cash access requirements, which has also been used by the Bristol University cash mapping exercise. We would support minimum access requirements for:

- 50% of neighbourhoods to have a cash access point within 250m
- 80% of neighbourhoods to have a cash access point within 500m
- 95% of neighbourhoods to have a cash access point within 1km, and
- 99% within 3km to cover the most isolated areas.

These requirements would mirror the distribution of cash access points when the government commitment to legislation was made in March 2020¹⁹. The definition of a qualifying cash access point should be set by the Financial Conduct Authority but cover as a minimum the themes under paragraph 4.8 of the consultation document (see Q10).

The existing Post Office access criteria provide a good proxy for minimum access requirements for business cash deposit facilities. Post Offices offer basic business banking services but competition should be maintained to ensure fees are acceptable. Therefore, banks should remain required to accept cash deposits at all branches. The Community Access to Cash Pilots for depositing cash should also be reviewed and pursued if successful. This includes automated deposit machines at Post Office branches to avoid queuing and ensure privacy, the OneBanks service and deposit-taking ATMs.

Question 3: Do you agree that geographic requirements should initially be set to provide a level of reasonable access to all areas, reflecting the current distribution of cash access facilities?

No. Geographic requirements should initially be set at least based on the distribution of cash access facilities when the commitment to legislation was made in March 2020. The minimum access requirements detailed under Q2 reflect cash access levels at this time. Since then, 779²⁰ bank branches have closed or are scheduled to close in 2020 and 2021, while 3287 free-to-use ATMs were closed permanently between December 2019 and December 2020²¹.

¹⁶ ACS Local Shop Report 2020

¹⁷ ACS Voice of Local Shops Survey: May 2019

¹⁸ <https://www.link.co.uk/about/statistics-and-trends/>

¹⁹ <http://www.bristol.ac.uk/media-library/sites/geography/pfrc/Where%20to%20withdraw%20-%20mapping%20access%20to%20cash%20across%20the%20UK.pdf> p.21

²⁰ https://www.which.co.uk/money/banking/switching-your-bank/bank-branch-closures-is-your-local-bank-closing-a28n44c8z0h5#headline_2

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

This legislation is unlikely to become law until 2023, five years since the Access to Cash Review called for urgent action to prevent an unplanned slide into a cashless society which damages financial inclusion²². In this timeframe. Setting minimum access requirements based on March 2020 coverage should not be viewed as adding marginal cost to banks – we believe access to cash policy making should prioritise reasonable consumer outcomes over cost-efficiency for large banks.

Any long-term changes to geographic access requirements in response to changing payment trends should require passing full impact assessments on business and consumer outcomes.

Designated Firms

Question 6: Do you agree that requirements should be targeted at the largest payment account providers?

We are content with this approach, subject to a clear compliance and enforcement process based on trackable accountability (see Q8) and ensuring firms which are designated are not consequently motivated to accelerate the removal of existing infrastructure.

We are aware the Swedish Government has imposed legal requirements on banks that on 1st July of the preceding year had more than 70 billion kroner (about £5.8 billion) in deposits from the public²³. Mandatory requirements should be targeted on firms by size of balance sheet and market share in the provision of primary bank accounts used to receive wages/salary/pension payments. This would denote the primary status of the account and exclude fintech banks whose customers are aware they have no physical customer-facing structure.

Becoming a designated firm should not lead to an accelerated removal of existing infrastructure. The introduction of the Access to Banking Protocol (now Standard) and additional political pressure from MPs²⁴ and government²⁵ meant banks did not want to become the 'last bank in town' for fear of additional constraints on closing or removing services. This accelerated branch closure programmes and similar circumstances must be avoided on access to cash. This underlines the risk of linking enforcement to the last local cash provider and the greater risk of banks withdrawing from LINK and the Post Office Banking Framework if legislation is limited to setting minimum access requirements.

Role of the Regulators

Question 8: Do you agree that the FCA should be the lead regulator for monitoring and enforcing requirements on access to cash?

Yes. A single regulator with clear statutory responsibility over a sustainable cash infrastructure is more likely to own the issue and act decisively as is required. There is limited evidence the Joint Authorities Cash Strategy Group is coordinating an effective access to cash strategy across regulators and government.

The Financial Conduct Authority (FCA) is already responsible for consumer protection and competition within the financial industry so may be most suitable to take on this function. We would also support the FCA taking on responsibility for monitoring and enforcing the Access to Banking Standard from the Lending Standards Board which does not have the appropriate powers. However, we would not support a requirement for convenience stores to become FCA-regulated to offer access to cash which is a highly onerous process.

²² <https://www.accesstocash.org.uk/media/1159/interim-report-final-web.pdf>

²³ <https://www.loc.gov/item/global-legal-monitor/2021-02-05/sweden-amendment-requiring-banks-to-provide-access-to-cash-services-enters-into-force/>

²⁴ <https://www.bbc.co.uk/news/uk-scotland-49502252>

²⁵ <https://www.thetimes.co.uk/article/ministers-pile-pressure-on-last-banks-in-town-788xkrz2h>

The compliance and enforcement regime must be robust and requires full consideration. There are risks in linking enforcement to the last provider in a set location (see Q6) and questions around enforcing against individual designated firms if numerous designated firms were to be held jointly responsible. Enforcement should involve financial penalties which escalate based on extent and length of non-compliance.

Question 9: Do you agree with giving the FCA discretion on additional requirements for qualifying cash facilities?

Yes. The FCA should have powers to issue statutory guidance to designated firms on evaluating qualifying cash facilities.

Question 10: Are there any other factors, beyond those listed, that the FCA should consider as part of evaluating qualifying cash facilities?

We welcome the emphasis on 'qualifying' cash facilities, which recognises the need for better than reasonable cash facilities which may not be effective for all consumers all the time. Evaluating cash facilities should include consideration of the following factors:

- Security – especially important for business cash deposit facilities.
- Sustainability – not subject to non-time bound or short-term commercial agreements.
- Sufficiency – can handle local demand for cash transactions and volumes.
- Accessibility – for disabled and vulnerable consumers.
- Availability – is not subject to restricted opening hours (e.g. available early mornings to late evenings).

Question 11: If geographic requirements are being met at a national level, do you think there are any circumstances in which the FCA should nevertheless be able to intervene at a local level?

Yes. The FCA should be able to direct designated firms to undertake specific actions. For example, at a local level, trunk roads and natural geography can split communities so that 'as the crow flies' a requirement could be met when it is not in reality on the ground.

Question 12: Do you have any other views regarding the future role of the regulators in protecting cash?

The FCA will require additional resource to monitor and enforce the access to cash legislation. This should be reflected in the next Spending Review.

For more information on this submission, please contact ACS Public Affairs Manager Steve Dowling via steve.dowling@acs.org.uk

Annex A – About ACS

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 almost 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 13,000 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



WHAT WE SELL

In 2020, the total value of sales in the convenience sector was £44.7bn.

The average spend in a typical convenience store transaction is £7.46.



WHO WE ARE

There are 46,955 convenience stores in mainland UK. 72% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.



OUR COLLEAGUES

The convenience sector provides flexible employment for around 412,000 people.

13% of independent/symbol stores employ family members only.



HOW WE OPERATE

22% of shop owners work more than 60 hours per week, while 24% take no holiday throughout the year.

72% of business owners are first time investors in the sector.



OUR COMMUNITIES

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.

80% of independent/symbol retailers have engaged in some form of community activity over the last year.



ECONOMIC CONTRIBUTION

Between August 2019 and May 2020, the convenience sector invested over £585m 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 around 2,400 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 6,700 stores. The Local Shop Report also draws on data from Lumina Intelligence, 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.

For more information and data sources, visit www.acs.org.uk