

Consultation Response

Branch and ATM closures or conversions: Updated guidance for firms

Financial Conduct Authority.

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About this consultation

The Financial Conduct Authority's (FCA's) FG20/3 guidance relating to bank and automated teller machine (ATM) closures came into effect in September 2020. This consultation sets out the FCA's revised expectations when banks are considering a long-term closure of a branch or ATM conversion. Subject to the proposed updates of FG20/3 the FCA's expectations would become clearer, expanding the present remit to include investigating and challenging regulated firms who propose a full planned branch or ATM closure, a partial closure (e.g. reduced operational hours), or the conversion of an ATM from free-to-use to pay-to-use.

Key points and recommendations

- Cash and local banking services are crucial community access points for many older people, ensuring they can conduct their day-to-day transactions.
- We strongly support the FCA's proposal to include partial bank branch closures within the remit of FG20/3.
- Firms should not be able to defer their local banking services to alternatives without assessing that all banking services which are presently delivered in the existing branch would be consistently available via the proposed alternative.
- Access to anti-fraud checks, lasting power of attorney, and probate services must be explicitly included in the FCA's assessment of a full or partial closure.
- With some firms already reducing provision in advance of reforms to FG20/3, we encourage the FCA to ensure their ability to undertake retrospective enforcement.
- The FCA needs to develop a meaningful way of protecting the 'last bank in town', by working with the banks to ensure the Cash Action Group/LINK's process puts an alternative in place prior to closure.
- The FCA must take a wider view of whether alternative provision is suitably resourced to handle the additional footfall associated with a bank or ATM closure.
- The regulator will need to ensure that reforms to FG20/3 explicitly state that offline provision must be prioritised in any full or partial closure of services to maximise access.
- The FCA must ensure the needs of vulnerable consumers are a priority in decisions regarding future closures.

About Age UK

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances. In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high quality health and care; are comfortable, safe and secure at home; and feel valued and able to participate.

Introduction

Age UK welcomes the opportunity to respond to this consultation¹ and strongly supports the FCA's inclusion of partial closures within the remit of FG20/3. Cash and local banking services are crucial community access points for many older people, ensuring they can conduct their day-to-day transactions. The increasing move to remote and online banking has resulted in the needs of many older consumers being overlooked. 45% of those aged 75+ regularly rely on in-branch services². Digitally excluded consumers are particularly vulnerable, with more than half (52%) regularly needing their local branch³. Our own research has demonstrated the importance of access to cash and banking services in ensuring older people feel able to engage and participate in society⁴.

Since 2018 over a third (35%) of bank branches have closed along with almost a quarter (23%) of free to use ATMs⁵. The FCA's FG20/3 guidelines were designed to better account for the consumer impact of this trend. Proposed changes to the remit of FG20/3 would expand the definition of a closure to include a full planned branch or ATM closure, a partial closure (e.g. reduced operational hours), or the conversion of an ATM from free-to-use to pay-to-use. We warmly welcome the FCA's proposals to expand the remit of FG20/3 so enforcement action can be brought in the event of a partial closure which may lead to a breach of articles 6 or 7 of the 'Principles for Businesses' relating to customer interests, fairness and adequate communication⁶.

The FCA will need to address how its proposals for FG20/3 will interact with future developments. With the proposed Financial Services and Markets Bill (FSMB)⁷ and ongoing LINK assessments of branch closures⁸, FG20/3 will need to adapt to subsequent developments and fill any regulatory gaps. Importantly, the LINK assessment and FSMB will not prevent branches from reducing services or partially closing. While we are hopeful reforms to FG20/3 will fill this gap Age UK has been made aware that many retail banks are already in the process of significantly curtailing bank branch services (e.g. reducing counter services or operating hours). We would therefore strongly encourage the FCA to

ensure FG20/3 allows for retrospective investigation into the activities of firms prior to implementation. We also welcome the FCA's commitment to account for any interaction between this proposed guidance update and the expected New Consumer Duty.

Age UK supports bank branch closure assessments conducted by LINK and ultimately the installation of suitable banking alternatives, including shared banking hubs. These will serve as an essential lifeline to older people who have lost out on their local branch. But we are concerned that updates to FG20/3 will miss a crucial component. The LINK assessment is triggered by the last bank in town closing rather than earlier iterations. This means that by the time the LINK assessment has concluded and recommended a shared banking hub it could leave a community without banking services for several months or years as the hub is put in place. FG20/3 should address this gap by ensuring that the final banking service cannot close until the shared banking hub, or appropriate alternative, is put in place.

Age UK welcome's the FCA's overview of best practice in implementation of the original FG20/3 guidance and are pleased that some firms have followed suit⁹. The process highlighted that several areas still require improvement and we encourage the FCA to address each of these issues in its revisions to FG20/3. We also wish to emphasise our specific concerns with the establishment of alternative service provision and the treatment of consumers in vulnerable circumstances. In the pursuit of providing suitable alternatives for consumers who were digitally excluded some firms failed in their duty to help, for example by arranging digital inclusion events but hosting them online¹⁰, representing a completely inappropriate and exclusionary practice which must be addressed by this updated guidance. Some firms also fundamentally neglected the needs of vulnerable consumers¹¹. The FCA must ensure the needs of vulnerable consumers are made a priority for future closures. Primarily, this will require a more tailored approach to consumer vulnerability.

Fundamentally, FG20/3 is designed to ensure access to essential services for consumers who may otherwise be excluded from accessing their day-to-day banking needs. The FCA should reinforce with firms that ATM or branch footfall are less relevant to future closures than the needs of the customers who rely on these services. To reflect this, the assessment of whether a bank or ATM closure or partial closure is appropriate should be increasingly weighted towards consumer vulnerability and the prevalence of digital exclusion in a community. This will ensure FG20/3 is focused on the needs of the most vulnerable and most at risk from the transition away from face-to-face banking services.

We strongly encourage the FCA to expedite implementation of this updated FG20/3 guidance. Below we provide further detail on how the FCA could improve these proposals and ensure adequate access to cash and banking services for older consumers.

Consultation questions

1. Do you agree that we should extend the definition of closures as proposed (to include partial closures caused by a long-term reduction in opening hours or services which would have a significant impact on customers)?

We strongly support the FCA's proposal to expand the remit of FG20/3 to include a partial bank branch closure. We also welcome the FCA's pledge to enforce commitment 6 of its 'principles for Businesses' pertaining to assessing the customer impact of a branch or ATM closure¹². We strongly reinforce the need for firms to account for the needs of older consumers in assessing the impact of a partial closure.

With the Consumer Duty coming into force, this will mean that firms need to evaluate their customers' outcomes and evidence how they have acted in their best interests. This should include responses to branch closures and partial closures, and the FCA will need to ensure that banks' actions are in line with requirements under the new Duty.

Firms must ensure they better account for the impact of branch closures on the day-to-day lives of their customers, rather than focusing primarily on how many people use their ATMs or branches. While on paper, a branch or ATM may have reduced footfall, the remaining consumers accessing banking services are likely to be more vulnerable. Firms should apply greater weighting to the importance of this in proposing a full or partial closure. The assessment of whether a bank or ATM closure or partial closure is appropriate should be increasingly weighted towards consumer vulnerability and the prevalence of digital exclusion in a community.

Banks sometimes justify closing or partially closing branches on the basis that alternative provision is close by. However, in practice there are certain banking services which are threatened by branch closures and are not readily accessible via other routes such as the Post Office. While the FCA has recognised the importance of assessing the loss of specific services we wish to highlight that accessing anti-fraud checks, lasting power of attorney, and probate services¹³ must be included in this assessment. Firms should not be able to defer their banking service obligations to alternatives, such as the Post Office, without comprehensively assessing that these services would still be consistently available. We encourage the FCA to further reflect on what a partial closure represents and expand its definition to include a wider range of services.

2. Do you have any comments on the other proposed changes to our Guidance?

In response to this question, we have proposed changes to specific clauses of the reformed guidance outlined in annex 1 and have also made some broader points about the proposed reforms to the guidance. We welcome the FCA's commitment to ensure firms inform local community groups of any closure. We request that, alongside other community civil society organisations, local Age UKs are informed of a proposed closure, partial closure, or ATM conversion, and that notice is provided long in advance of any action being taken. Secondly, in the event of a full or partial closure, reforms to FG20/3 will result in recommendations being made for other ATMs, Post Office facilities, nearby bank branches or alternative provision. However, we are concerned that these proposals do not fully account for the capacity of all the recommended alternatives. This could, for example, mean that a single small Post Office is treated as tantamount to a large bank branch. This could lead to significant queues and wider barriers to accessing specific services. The FCA must take a wider view of whether alternative provision is suitably resourced to handle the additional footfall associated with a full or partial closure.

Age UK is keen to ensure that firms operating shared banking hubs are regulated by this guidance. The FCA should edit clause 1.8 of the proposed changes to FG20/3 to make it clearer that shared banking hubs must be included in the scope of this guidance. Age UK strongly support the use of banking hubs in cases where suitable alternative options have been exhausted.

We also encourage the FCA to change clause 2.20 to include the commissioning of both a staff and customer survey. The present wording could mean some firms opt for a staff survey instead of a more complex customer survey, as the latter will likely prove more difficult and costly to commission. A staff and customer survey combined will provide the opportunity for more comprehensive feedback on a proposed closure and a better assessment of the community impact.

It is very welcome to see the inclusion of firms' local customer age profiles as a characteristic to assess the impact of a closure. This is consistent with the LINK process for evaluating community need for new shared services, where the age profile of the population will also be taken into account. We encourage the FCA to assess the needs of all older consumers, but we also recommend the inclusion of a separate age category to include the proportion of customers aged 75+ who will be impacted. This is particularly important as those aged 75+ are more likely to face digital exclusion¹⁴. We also encourage the FCA to explicitly state that the vulnerability profile of the customer base should be included, incorporating an assessment of the digital access rate and proportion of customers with disabilities or long-term health conditions which may present barriers to accessing replacement banking services. These factors should be explicitly included in clause 2.24. While FG20/3 includes a vulnerability section we are keen to ensure this is embedded throughout the guidance.

Clause 2.27 suggests that firms can support customers to use digital channels as a way of ensuring access after a branch closure. As the banking sector does not have a strong track record in helping digitally excluded customers access banking services, and in many

cases this simply isn't possible, we want firms to fixate less on promises of support and more on actual delivery. We are concerned the present phrasing of clause 2.27 will provide firms with the excuse of providing support in principle but avoiding facilitating meaningful digital access. For example, we are already aware that under the guise of providing suitable alternatives for digitally excluded consumers some firms have arranged digital inclusion events but hosted them online,¹⁵ excluding the very people targeted with these services. Managing finances online is a very difficult thing for many older consumers, and in many cases it is undesirable due to the high risk of scams, so helping people to successfully achieve this is no small task. The FCA will need to ensure that reforms to FG20/3 explicitly state that offline provision must be prioritised in any full or partial closure of services to maximise access and that any online alternative is only considered a viable replacement if it is universally accessible to the entire customer base of the existing branch. To better facilitate this, clause 2.27 must be reworded to make it clearer that firms must go beyond simply supporting consumers to access digital channels and must instead ensure they actually deliver sufficient access to banking services as a precondition of any closure.

FG20/3 should ensure that the final banking service in a community cannot close until a suitable alternative, such as a shared banking hub, is put in place. As presently proposed, clause 2.39 states that firms should 'consider' pausing a closure until an appropriate alternative is in place. This wording must be firmed up to make it clear that no closure should be enacted if a suitable alternative is not already in place, and the FCA must use its powers to make sure this is enforced.

More broadly, we encourage the FCA to forbid, stall or cancel full and partial closures if the principles of FG20/3 are not followed by firms. As it stands, the new guidance is focused on finding alternatives to existing banking provision but in many circumstances the best solution will be the continuation of existing service provision, particularly when no suitable alternatives have been implemented.

We also wish to highlight the gaming risks associated with enforcing FG20/3. We have already outlined our response to several of the FCA's identified¹⁶ malpractice activities from firms. But the regulator needs to be mindful of future risks to the guidance. For example, an exemption has been put in place for firms who have had to close a branch due to exceptional circumstances beyond their control (e.g. a landlord not renewing a lease)¹⁷. While we strongly welcome that reporting a closure or partial closure will still be mandatory under principle 11 of the FCA's guiding principles¹⁸ we are concerned that some firms will misuse this exemption (e.g. firms could lobby for landlords to foreclose the lease as a means of ensuring a branch closure). We strongly encourage the FCA to use their influence under principle 11 to monitor misuse of this exemption and wider gaming risks.

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- ¹ FCA, 2022. Branch and ATM closures or conversions: Updated Guidance for Firms. Financial Conduct Authority. [Online]. Available at: <https://www.fca.org.uk/publication/guidance-consultation/gc22-2.pdf>. [Accessed 14/07/22].
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- ⁴ Age UK, 2021. Age UK Behind the Headlines Short-changed: How the decline of cash is affecting older people. Age UK. [Online]. Available at: https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/money-matters/behind_the_headlines_shortchanged.pdf. [Accessed 08/07/22]. Pg5.
- ⁵ Which?, 2022. Almost half of the UK's bank branches are gone – it's now or never to halt the cash crisis. Which?. [Online]. Available at: <https://www.which.co.uk/news/article/almost-half-of-the-uks-bank-branches-are-gone-its-now-or-never-to-halt-the-cash-crisis>. [Accessed 10/07/22].
- ⁶ FCA, 2022. *FCA Handbook*. Financial Conduct Authority. [Online]. Available at: <https://www.handbook.fca.org.uk/handbook/PRIN/2/1.html>. [Accessed 07/07/22].
- ⁷ This bill is intended to ensure access to cash withdrawal and deposit facilities. HM Treasury, 2022. New law to protect access to cash announced in Queen's speech. Her Majesty's Treasury. [Online]. Available at: <https://www.gov.uk/government/news/new-law-to-protect-access-to-cash-announced-in-queens-speech>. [Accessed 10/07/22].
- ⁸ Under a voluntary agreement secured by the Cash Action Group, of which Age UK was a member, LINK assesses whether a bank branch or ATM closure will significantly impair access to cash in a community based on several metrics. These include the size of the settlement, how close the nearest neighbouring community with banking facilities is, how levels of financial vulnerability compare with the national average, how levels of digital vulnerability compare with the national average, the proportion of older people (over 65) in the community compared with the national average and a local community assessment to assess a wider range of factors (e.g. public transport). More details on LINK's assessment of communities' cash access needs following branch closures can be found at: <https://www.link.co.uk/initiatives/bank-branch-closures/>
- ⁹ FCA, 2022. Branch and ATM closures or conversions; good practice and areas for improvement. Financial Conduct Authority. [Online]. Available at: <https://www.fca.org.uk/firms/future-access-cash/branch-atm-closures-good-practice-areas-improvement>. [Accessed 13/07/22].
- ¹⁰ FCA, 2022. Branch and ATM closures or conversions; good practice and areas for improvement. Financial Conduct Authority. [Online]. Available at: <https://www.fca.org.uk/firms/future-access-cash/branch-atm-closures-good-practice-areas-improvement>. [Accessed 13/07/22].
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¹⁶ FCA, 2022. Branch and ATM closures or conversions; good practice and areas for improvement. Financial Conduct Authority. [Online]. Available at: <https://www.fca.org.uk/firms/future-access-cash/branch-atm-closures-good-practice-areas-improvement>. [Accessed 13/07/22].

¹⁷ FCA, 2022. Branch and ATM closures or conversions: Updated Guidance for Firms. Financial Conduct Authority. [Online]. Available at: <https://www.fca.org.uk/publication/guidance-consultation/gc22-2.pdf>. [Accessed 14/07/22]. Pg14.

¹⁸ FCA, 2022. *FCA Handbook*. Financial Conduct Authority. [Online]. Available at: <https://www.handbook.fca.org.uk/handbook/PRIN/2/1.html>. [Accessed 07/07/22].