

Guidance consultation

GC 20/2: Branch and ATM closures or conversions

July 2020

1 Summary

Why we are consulting

- 1.1 For many people and small and medium sized enterprises (SMEs) access to cash and cash-related services (such as making in-person payments or deposits) continues to be important for everyday activities, and these will continue to be needed in the longer-term. We are committed to helping ensure that consumers and SMEs who need these services can continue to access them.
- 1.2 Alongside this, we recognise that cash use continues to decline, and that firms facing cost pressures, including from the impact of coronavirus (Covid-19) on revenues, may look to reduce the size of their physical infrastructure, such as their branch network or ATM estate (their cash machines). They may also look to 'convert' free to use ATMs to pay to use ATMs.
- 1.3 These are decisions for firms, but we want to ensure that the implementation of these decisions is done in a fair way, with an understanding of the needs of customers and the impact of the decision on them, that leads to fair outcomes. We are consulting on this guidance to set out our expectations of firms in relation to the implementation of these decisions. We also continue to work closely with the Payment Systems Regulator (PSR) on access to cash, including the closures of ATMs and other cash access services as outlined in our [joint statement](#) of 16 June on the approach to access to cash.

Who this guidance affects

- 1.4 This proposed guidance applies to regulated firms that operate (or have agents operate) branches, or ATMs (cash machine or cashpoint).
- 1.5 A branch is the physical site where firms undertake regulated banking activities or provide regulated payment services for their customers (whether consumers or SMEs) who attend in person. This includes a bank or building society branch, or a credit union office.
- 1.6 A wide range of customers use cash and bank branches, including those who are in vulnerable circumstances. Data from the 2020 Financial Lives Survey (FLS) shows that among all UK adults, 11% state that they rely on cash to a great or very great extent. A slightly higher proportion (16%) of adults with one or more characteristics of vulnerability state that they rely on cash to a great or very great extent. One in ten UK adults said that they did not know how they would cope, or that they would not cope at all, in a cashless society, which rose to 16% for customers with one or more characteristics of vulnerability. This is broadly consistent with the findings of the [Access](#)

[to Cash Review](#), which found that 17% of the UK population said they would struggle to cope in a cashless society.

What services this guidance relates to

- 1.7 Paragraphs 2.8 to 2.27 of this proposed guidance build on Principles 6 and 7, and so apply to services covered by these Principles. Firms should note that Principles 6 and 7 not only apply to the carrying on of regulated activities, but also activities that are ancillary to the regulated activity of accepting deposits, credit-related regulated activity, regulated home finance activity and some other regulated activities. They also apply to activities that are connected to the provision of regulated payment services as well as the provision of the payment services.
- 1.8 The services this guidance relates to will include those provided to customers for their everyday banking and cash access needs, including withdrawals and deposits, as well as other relevant branch services which involve attendance by customers. As a non-exhaustive list, these services could include:
- Cash withdrawals
 - Cash or cheque deposits
 - Making payments in-branch by cash or cheque, such as to pay down a regulated mortgage or regulated credit agreement

What we are proposing

- 1.9 This proposed guidance sets out our expectation that firms should carefully consider the impact of a planned closure or conversion on their customers' everyday banking and cash access needs, and other relevant branch services. Where firms do close or convert any of these sites, the guidance sets out our expectations around alternative access arrangements.
- 1.10 The guidance makes it clear that we expect firms to keep us informed of plans for closures or conversions throughout the process, to enable us to monitor whether customers are being treated fairly. This should start in good time before the firm announces proposals and continue throughout the process.
- 1.11 As part of developing proposals for decision, we expect firms to conduct analysis of the needs of customers currently using the sites, the impact of the proposals, and alternatives that could be put in place if they implement the proposals. We expect to be provided with a clear summary of the results of this analysis.
- 1.12 If the firm decides to progress the proposals, we expect firms to clearly communicate information about proposed closures or conversions to their customers no less than 12 weeks before a proposed closure or conversion would be implemented, as well as

communicating existing alternative ways to access services or ways the firm proposes to make alternative access available.

- 1.13 This would give customers time to take action in light of that information, such as changing banking provider. We would also expect firms to keep their analysis of customer impact and potential alternatives under review during the period between the proposals being announced and implemented, and keep us informed of changes to its plans.
- 1.14 If the firm decides to implement some or all of the proposals, we expect firms to clearly communicate the alternatives that its customers can use, whether these are existing services or new alternatives the firm is making available.

How to respond

- 1.15 We would welcome comments from stakeholders on this draft guidance by 5pm on **Thursday 30 July**. Please send your comments to: gc20-02@fca.org.uk

Equality and diversity

- 1.16 We are required under the Equality Act 2010 to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not, and to foster good relations between people who share a protected characteristic and those who do not.
- 1.17 As part of this, we ensure the equality and diversity implications of any new policy proposals are considered. We do not consider they will adversely affect consumers with protected characteristics. Consumers with some protected characteristics, such as those with a disability, may benefit from the proposals if this guidance means that alternative provision is more accessible than it would have been without this guidance.

Background to this consultation

- 1.18 In the 2020 Budget, the Government stated its intention to bring forward legislation to protect access to cash for those who need it. We will review this guidance in the next 12 months in the light of market developments and / or the timing of forthcoming legislation and will revise the guidance if appropriate.
- 1.19 This guidance builds on:
- Principle 6 ('A firm must pay due regard to the interests of its customers and treat them fairly')

- Principle 7 ('A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading'), and
- Principle 11 ('A firm must deal with its regulators in an open and cooperative way, and must disclose to the FCA appropriately anything relating to the firm of which that regulator would reasonably expect notice')

- 1.20 Where this guidance relates to regulated payment services, references to 'customers' means consumers and micro-enterprises (ie firms that employ fewer than 10 people and have a turnover or annual balance sheet of up to €2 million), and charities with an annual income of less than £1 million. Otherwise, 'customers' means consumers and SMEs (ie firms with an annual turnover of up to £25 million). This takes account of the narrower meaning of 'customers' in our Handbook in relation to payment services.
- 1.21 The guidance is potentially relevant to enforcement cases and we may take it into account when considering whether firms could reasonably have understood or predicted that the conduct in question fell below the standards required by Principle 6, Principle 7, or Principle 11.

The FCA's objectives and regulatory principles

- 1.22 The proposals in this consultation support our consumer protection objective. They are designed to protect consumers by ensuring that firms assess customer needs and consider the availability and provision of alternatives where closures or conversions are planned.
- 1.23 In developing this guidance we have had regard to the principles of good regulation, including the need to ensure that any burden or restriction that we impose on a person, firm, or activity is proportionate to the benefits we expect as a result.

2 The proposed guidance

Site closures and conversions

- 2.1 In this guidance, a 'site closure' means the permanent closure of a branch or ATM, or a mobile bank facility no longer operating. A 'conversion' means the conversion of a free-to-use ATM to a pay-to-use ATM.

Informing the FCA

- 2.2 This section relates to Principle 11 ('A firm must deal with its regulators in an open and cooperative way, and must disclose to the FCA appropriately anything relating to the firm of which that regulator would reasonably expect notice').
- 2.3 We expect to be kept informed of a firm's plans and decisions throughout the process of closures or conversions being considered and implemented. This should include telling us at the earliest opportunity about any key decisions, changes to plans, or mitigations or alternative access arrangements it is putting in place.
- 2.4 Where a firm is considering site closures or conversions, it should tell us through its usual supervisory contact at the earliest opportunity. This should be in good time before a firm announces proposals for closures or conversions. Where firms are signatories to the Lending Standards Board's (LSB) Access to Banking Standard, we would expect in any event to be informed no later than the LSB of a firm's plans.
- 2.5 This should apply regardless of the scale of the proposed programme of closures or conversion: the loss of a single site can have a substantial impact on customers who use it, and we want to ensure that we are aware of these possible impacts.
- 2.6 As stated in paragraph 2.18 of this guidance, we also expect to receive a clear summary of the results of the analysis of customer needs and potential alternatives set out in paragraphs 2.8-2.22, and to receive updates to this throughout the process if the analysis is developed further.
- 2.7 To support this section of guidance we have also made an arrangement under Section 9 of our Memorandum of Understanding with the LSB. Under this, the LSB has agreed to share information with us about planned closure programmes, such as timings, scale, and locations, provided to it by its registered firms. We have agreed with the LSB that its firms will also share information regarding future closure programmes under the Access to Banking Standard with the FCA.

Assessing customer needs and providing alternatives

- 2.8 This section is based on Principle 6 ('A firm must pay due regard to the interests of its customers and treat them fairly').
- 2.9 The decision about whether to close or convert a site is a decision for a firm to take, but in implementing these decisions, firms must have due regard to the interests of their customers and treat them fairly. We also expect firms to consider how SMEs or micro-businesses (as appropriate) would be impacted by their proposals, given the critical role of businesses in the cash cycle.
- 2.10 So firms should ensure that they have carried out a robust analysis of a proposed closure or conversion on their customers, particularly in terms of lost access and potential harms to vulnerable consumers and SMEs or micro-enterprises (as appropriate). They should also ensure they have carried out a robust analysis of the services that the firm's customers can access at alternative sites, and how those compare to the services currently used at the site proposed for closure, as well as an analysis of new alternative access arrangements that the firm could reasonably put in place.
- 2.11 These analyses should be carried out before proposals are finalised, and kept updated throughout the process to take into account changes following, for example, customer feedback once the proposals are made public. There may be instances where following this analysis firms decide not to go ahead with the proposals and keep the existing sites open.
- 2.12 The analysis of impact is likely to include understanding factors including the number and type of transactions or activities undertaken at the site, and protected characteristics or characteristics of vulnerability among the firm's customer base that uses the site (see paragraphs 2.17-2.20 for more detail on our expectations in relation to assessing vulnerability). It could involve engagement with local groups, charities, and the local authority as well as analysis of data already held by the firm, or newly-collected data such as a survey of its customers.
- 2.13 The analysis of existing alternative access provisions should consider the services that the firm's customers can access at alternative sites, and how those compare to the services currently used at the site proposed for closure.
- 2.14 For example, if a firm considers that another existing facility (such as a Post Office branch) provides an alternative to a bank branch, it should assess which services its customers currently use at the branch, and which they are and are not able to access at the other facility. It should also assess the accessibility of those services at the other facility (eg location and opening times, and the impact digital exclusion or other vulnerabilities such as particular physical needs may have on customers' ability to access them).
- 2.15 The analysis of alternative provision that could reasonably be made available to address any loss of service caused by the closure or conversion could include, but is not limited to, consideration of:

- sharing services with other providers
 - providing mobile banking hubs or cash delivery services
 - commissioning a free-to-use ATM, or
 - supporting customers to use digital channels
- 2.16 This should include an assessment of the suitability of the alternative(s), including for vulnerable customers.
- 2.17 The firm could also engage with any future industry initiatives to address any areas with a lack of access that its planned closures or conversions may create.
- 2.18 The firm should give us a clear summary of the services available at the sites it proposes to close or convert, and how customers who use these services would access alternatives (that either already exist, or that the firm is proposing to make available). We would also expect to see specific information about how the needs of vulnerable customers and SMEs or micro-enterprises (as appropriate) may continue to be met, as well as any remaining gaps in provision created by the proposed closure or conversion.

Vulnerability

- 2.19 Our Principles for Businesses require all the firms we regulate to treat their customers fairly, and we expect firms to exercise particular care with consumers in vulnerable circumstances. A vulnerable consumer is somebody who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care.
- 2.20 In considering how they can treat consumers in vulnerable circumstances fairly in relation to a site closure, firms may find it helpful to refer to our [Guidance Consultation Paper](#) on the fair treatment of vulnerable customers (GC19/3).
- 2.21 We plan to consult further on the fair treatment of vulnerable customers and the cost benefit analysis of our proposals shortly. While it is proposed that this Guidance on the fair treatment of vulnerable customers will apply to firms' dealings only with retail customers who are natural persons, firms should remember that Principles 6 and 7, including the obligation to treat customers fairly, extend to all customers.
- 2.22 In GC19/3, we identified four drivers of vulnerability: health, resilience, capability and life events. Each of these drivers will affect the different needs of vulnerable consumers, and so may affect alternative solutions that firms consider in place of an existing service, if those solutions would not be accessible to particular groups of consumers in vulnerable circumstances. For example, a person with a disability may struggle to travel further to an alternative site, or someone with low financial or digital capability may find it difficult to use online or telephone banking.

Communicating with customers

- 2.23 This section is based on Principle 7 ('A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading').
- 2.24 Firms must ensure that they pay due regard to the information needs of their customers, and provide information in a way that is timely, clear, fair, and not misleading. When a decision to close or convert a site has been made, firms should ensure that they provide customers with information that enables them to understand:
- When the closure or conversion is planned to take place
 - How the customer can continue to access banking services and cash and other relevant branch services after the closure or conversion (including through physical and telephone or digital channels), and what those alternatives offer in terms of service and functionality
 - How the customer can access help or assistance from the firm during and after the closure or conversion, including, for example, any training offered by the firm on using online banking
- 2.25 This information should be provided as soon as possible after proposals to make closures or conversions are decided upon by the firm, and no less than 12 weeks before any closure or conversion would be implemented. The information should also be kept up to date, and take into account the information needs of customers. It should be made available at the sites affected by the proposals, as well as through wider communication channels such as the firm's website. Firms may also wish to consider how to communicate with harder-to-reach groups by using local networks such as councils, charities, advice providers, and housing associations, which may be particularly important in reaching vulnerable groups. Firms should consider whether individual communications may be appropriate for customers who are known to be vulnerable.
- 2.26 Where a firm is a signatory to the LSB's Access to Banking Standard, we consider that following the Standard's consultation and communication provisions as they stand today (16 July 2020) will help a firm to comply with Principle 7.

Other applicable requirements

- 2.27 Firms should continue to follow other applicable requirements where relevant, including the 2010 Equality Act, consumer protection and competition law, and our Handbook provisions. We also recognise that firms registered with the LSB will need to comply with the LSB's Access to Banking Standard.

3 Cost benefit analysis

- 3.1 There is no statutory requirement in the Financial Services and Markets Act 2000 for a cost benefit analysis (CBA) on guidance. In accordance with our [approach to analysing costs and benefits](#), we only produce a CBA for guidance where we identify an element of novelty which may contain certain prescriptive expectations. This is not the case for this guidance, but we have described below the types of costs and benefits that we expect to arise to help firms, consumers, and other interested parties understand the potential impact of our proposals.
- 3.2 Any costs and benefits resulting from this guidance will be highly dependent on the scale of any future plans for site closures or conversions by firms, and the specific actions that firms take as a result of the guidance.
- 3.3 We anticipate that firms may incur the following compliance costs as a result of the guidance:
- familiarisation with the guidance and 'gap analysis'
 - as part of developing any closure or conversion proposals, understanding the impact of closures or conversions on the firm's customers
 - as part of developing any closure or conversion proposals, considering what alternative provision could reasonably be made available to the firm's customers
 - in the event of any closure or conversion plans being taken forward, providing information to customers
 - in the event of the implementation of a closure or conversion, making any new alternative access arrangements that the firm could reasonably put in place to address any loss of service
- 3.4 As part of any closure or conversion plans, we expect the benefits of the guidance to customers to include:
- Greater information on proposed site closures, allowing customers the ability to make alternative arrangements in time (such as switch provider), potentially reducing costs to customers.
 - Potential improved alternative services or knowledge of alternative services, depending on firms' implementation of the guidance. In turn, this could potentially lead to less financial exclusion or isolation among vulnerable consumers that rely on local cash or branch services.

- Potential retained access to existing services, if a firm decides not to close or convert the branch or ATM.

4 Next steps

- 4.1 We would welcome comments from stakeholders on this draft guidance by 5pm on Thursday 30 July. Please send your comments to: gc20-02@fca.org.uk

Timing

- 4.2 If confirmed, the measures would start to come into force later in the year.