

GMB Union response to HM Treasury call for evidence – Access to Cash

Introduction

GMB union welcomes this consultation on bringing forward legislation to protect access to cash and ensure that the UK's cash infrastructure is sustainable in the long term. This challenge is particularly urgent during a pandemic, when people's economic, physical and mental health are suffering.

GMB union has over 600,000 members across all sectors of the economy, including within the cash industry. We are the largest trade union in the UK in the commercial cash-in-transit and security industry. We also have many members that rely on cash payments as consumers, and we deal with many companies and organisations whose future relies on the availability of cash within the UK economy. We have long campaigned with our members to save jobs in the industry and people's access to cash.¹

GMB union would welcome any opportunity for further engagement with the Treasury on any of the points made within this submission.

Response to Questions:

1. How can the government ensure the UK maintains an appropriate network of cash withdrawal facilities over time, through legislation?

GMB union agrees with the Government that its focus should be on maintaining a sustainable cash infrastructure. Those that want to use cash live in all parts of the UK. They buy services across the retail and service sectors.

Many people need to use cash. People can also move in and out of needing cash: this can be due to geographic factors, and it can also be because being on a low income is one of the main reasons for cash dependence.

Cash also is a volume-driven economic activity which requires a critical mass to be sustainable. This critical mass is at risk of being lost without a clear political objective of protecting access to cash. The starting aim of an appropriate network of cash withdrawal facilities needs to be universal access.

The current cash system is failing because it lacks requirements on providers – which are mainly the commercial banks – to offer services in places where

¹ <https://www.gmb.org.uk/campaign/save-our-cash-lifeline>

provision is not commercially attractive. Whilst LINK has put in place certain schemes to maintain current ATMs, without any statutory obligation it is inevitable that ATMs that are not deemed economically viable will continue to disappear.

This trend has been exacerbated by the staged reduction in LINK interchange fees in July 2018 and January 2019, which has resulted in an acceleration of ATM removal and also ATMs switching to a surcharge pay-to-use model. In addition, the current COVID pandemic has massively accelerated this trend due to unfounded concerns over the safety of cash, and the application of social distancing requirements.

There is therefore an urgent and compelling need for regulation to ensure the sustainability of the ATM network. The objectives of promoting universal cash availability and ensuring commercial resilience for the supply chain should be integral to those regulations.

Addressing the LINK ATM interchange calculation offers one solution. Using a clear and transparent formula to set interchange at a level reflective of the cost to service through appropriate legislation would undoubtedly provide a suitable incentive to deploy sufficient ATMs to meet the requirement. In addition, any new interchange mechanism should consider ensuring the current Financial Inclusion Programme is kept and actively incentivises the deployment of free-to-use ATMs in isolated or socio-economically deprived areas. New statutory requirements may even have the effect of encouraging banks to re-establish previously extensive remote ATM networks to offset the impact of bank branch closures on local communities. Such legislation should be overseen by an appropriate regulator.

To ensure that the UK does not repeat the same mistakes as Sweden, GMB agrees with the Government's Access to Cash consultation's proposals that the UK will need to move towards a more 'utility' model for both cash provision and deposits – although the Government should be aware that this approach brings its own challenges, and that Sweden still had to further legislate recently to compel banks to provide counter cash withdrawals.

GMB believes that the cash industry can play a very effective role in ensuring that cash remains available, following the example of what was achieved in Sweden through the creation of an ATM utility (Bankomat).

A further opportunity to potentially protect cash withdrawal facilities in the UK would be to further incorporate the Post Office network as part of the solution.

2. What is the potential for cashback to play a greater role in the provision of cash withdrawal facilities, and how can legislation facilitate further adoption of cashback?

GMB believes cashback can play a greater role in cash provision but it needs to be part of a broad range of cash channels that are available to consumers. Access to ATMs within a reasonable distance is also key as the only 24/7, 365 days option for most consumers.

It is also worth noting what we think are the current barriers to cash back. Retailers and consumers have told GMB the following:

- Retailers take on significant costs to offer cashback. Commercial banks providers force agreements with retailers with significant payment fees. 3-4% per transaction for example with many retailers are unwilling to bear this cost.
- These costs force retailers to not advertise cashback if they do provide it. Therefore, many consumers do not know it is available.
- There is currently no 'standard' cashback standard for consumers with some retailers requiring a certain level of minimum purchase. Others have a maximum limit of withdrawal.

To tackle these issues the Government needs to look at:

- Reaching agreement with retailers that the cashback service should be suitably incentivised, and that cashback offers available to retailers operate under a common code of practise.
- The Government needs to look at ensuring that there is an effective distribution of the cash in retail settings and ensuring there is a responsibility on retailers to provide cash.

3. How can the government ensure the UK maintains an appropriate network of cash deposit-taking facilities over time through legislation?

GMB welcomes the willingness of the Treasury to consider whether it is sufficient to provide access to cash without retailers having facilities to make deposits. Again, we consider the Swedish experience to be a relevant example of a government recently legislating to ensure that banks provide deposit facilities.

GMB believes the cash-in-transit industry is an underutilised resource in ensuring there is an appropriate network of cash collection facilities across the country. We

believe the industry has an increasingly important role to play in providing services to fill the space left by the shrinking cash facilities network of the commercial banks.

4. What are the key factors and considerations for maintaining cash acceptance in the UK?

Key lessons here can be learnt by looking at what happened in Sweden. The Swedish government has had to legislate to require banks to provide “an adequate level of cash services”. This legislation covers both access for consumers and the ability to deposit cash.

The Swedish experience, as analysed by the Riksbank (the Swedish Central Bank), showed that the best way for authorities to promote a sustainable payment system was not by reducing the use of cash in circulation – which created a number of serious issues relating to the cost of maintaining the infrastructure required for the cash cycle, which became unsustainable.

The situation in Sweden is a result of commercial banks being left in the driving seat of the payment market. Not only do commercial banks identify cash as a cost, but they have alternative payment instruments – such as credit cards – for generating revenue: “resources used in the cash chain are a synonym for cost for banks since there are often no direct revenues from the provision of the cash services”.²

The mechanisms that led to the Swedish experience were driven by the commercial banks in the following ways:

- Reducing cash withdrawals (reducing the number of ATMs) and deposits (reducing the number of branches accepting deposits in cash) in order to make cash management by retailers and consumers more cumbersome and costly.
- Restricting cash acceptance, and consequently limiting the distribution of change money to retailers in order to make payments in cash impracticable, and leading consumers to either accept a higher price for their purchase or make an electronic payment.

To protect cash acceptance, it is imperative to ensure that cash circulation is protected. We suggest that this change could be achieved by guaranteeing:

² 8 Cf E “New SECA Framework, the European Payment Council, 21016. See section 4.1 page 24 (ESTA underlines).

- The ability for anyone to withdraw cash at any time in the vicinity of its location:
 - Ensuring there is an ATM network – particularly free-to-use ATMs – which is a valuable resource for consumers and the wider economy. It should be noted that, where retailers and bank branches are not open at all hours, the cash network is the only 24/7, 365 day a year channel that currently exists. Ensuring that ATMs are maintained over a broad geographic spread is key.
- The ability to deposit cash also in the vicinity of its location.
- The effective distribution of change money for cash transactions to retail distribution:
 - Cash back without purchase in retailers is a solution but legislation must ensure there is a responsibility on retailers to provide cash change.
- The ability to exchange high denomination notes in smaller notes or coins in banks:
 - The only way to exchange a high denomination note is to deposit it on one's bank account and withdraw cash in smaller denominations from an ATM or other channel. This imposes two serious limitations on cash users: the exchange can only be done in branches of the bank where an account is held; and non-residents, such as tourists, who are keen to use cash, and are often not subject to cash payment limitations in countries where they apply, have no possibility to exchange high denomination notes because they have no bank account in the country they visit.

Broadly, the Government needs to establish a legal right to pay for goods and services in person using cash, which would give all consumers the individual choice on payment methods.

GMB believes that ensuring good security of the cash cycle is maintained is a part of ensuring there is cash acceptance. For our members operating in the cash industry and cash-in-transit, security standards and operations are critical. The Government needs to consider the potential unintended consequences of recycling cash more intensively in local economies. There is a real risk that the cash cycle could become a greater target for organised crime, with consumers

and retailers having to take on more responsibility for cash security. Those that work in the cash-in-transit and cash management industry are trained in security most having to operate with SIA licences. We should be careful not to overlook the skills and experience of the workforce.

5. Should the government give a single regulator overall statutory responsibility for maintaining a well-functioning retail cash distribution network? If so, with which regulator should this responsibility sit?

GMB believes the most sensible approach would be to have a single regulator with overall statutory responsibility for cash circulation. The FCA seems to be the obvious choice for this role.

This proposal would, however, only work if proper investment and resources were allocated for the FCA to lead on this important area, in recognition of the significant scope, responsibility, and urgency of the task ahead.