

CASH FOR ACCESS

EXPANDING THE
AVAILABILITY
OF FREE CASH
MACHINES



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GREATER LONDON AUTHORITY

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INTRODUCTION

Free access to your own cash should be a right, not a privilege – after all it is your money. However, in 2017, the year of the 50th anniversary of the world's first cash machine launched in London, people can still be charged for the basic right to access their own money.

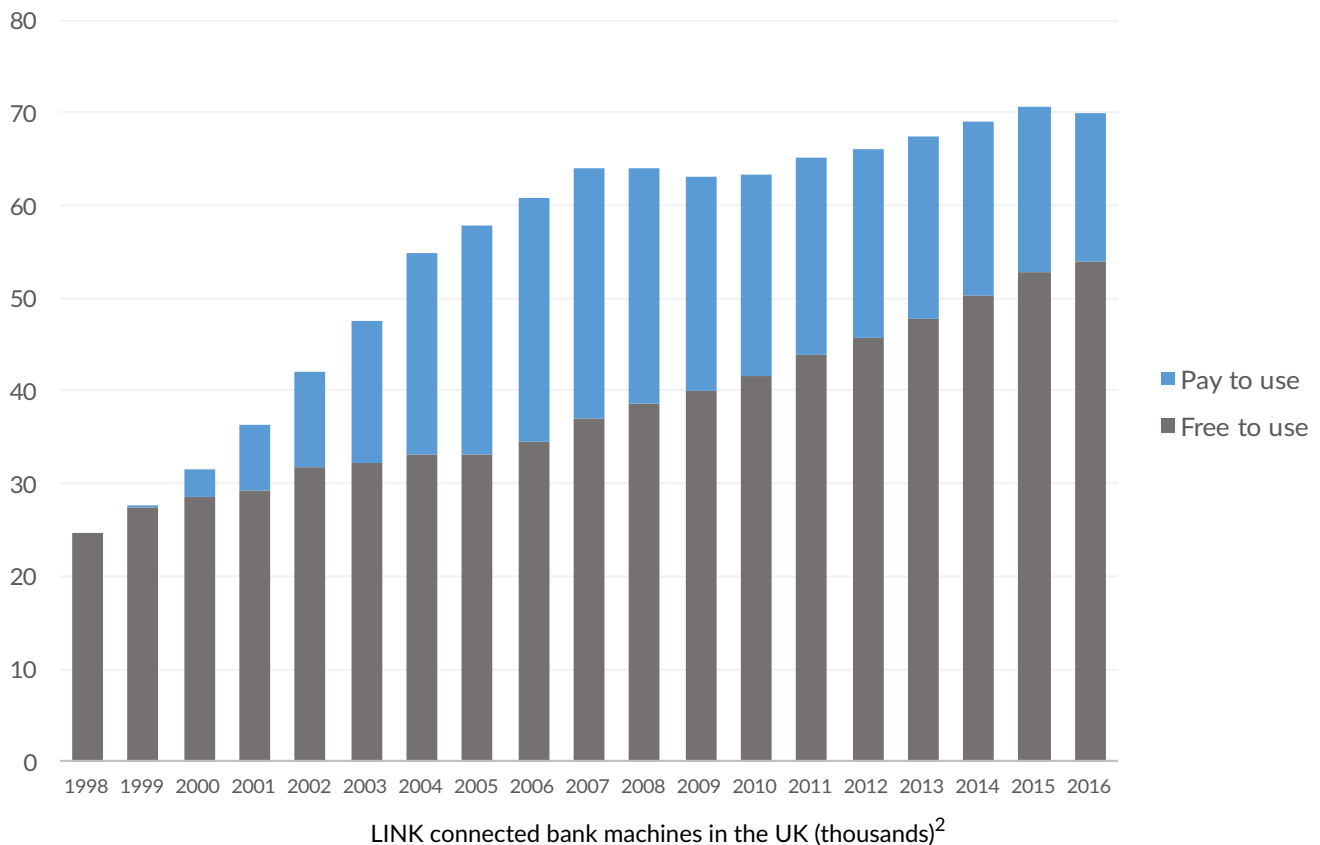
Convenience is a big factor when it comes to why Londoners still choose to use fee-charging cash machines. If life circumstances make it difficult for people to leave the home or travel far, they may choose to use the nearest fee-charging cash machine because they might not be able to travel further. This particularly affects those with limited mobility, those who are carers or in situations that restrict them from traveling far. These people are often on low incomes and use cash as a budgeting tool, so they probably need greater access to cash machines than the average person.

The issue of access to free cash machines has been in the political arena since as far back as 2004 when the House of Commons Treasury Committee produced a report on cash machine charges. Frank Field MP, who is seen as a champion for access to free cash machines, has consistently campaigned for improved access to free ATMs. The Mayor of London is ideally placed to highlight the issue as the highest elected official of London. His manifesto states the importance of fairness and social justice.¹ Increasing access to free cash machines especially for those on low incomes would contribute to improving fairness and social justice in London.

This report investigates access to free cash machines in London, how ATM access affects low income people and what the Mayor can do to improve Londoners' access to their cash.

1. http://www.sadiq.london/a_fairer_and_more_equal_city

NUMBER OF CASH MACHINES AND MONEY LOST FROM PAYING FEES



There are 70,536³ cash machines in the UK, 25 per cent of those are fee paying ATMs. There are 6,888 cash machines in London, 5,239 are free to use, and 1,649 are fee-paying ATMs⁴. The typical withdrawal charge from these machines is around £1.70, but some machines charge up to £10 per withdrawal.⁵ The total number of withdrawals from cash machines across the UK was 2,800,000,000. If we take into account that London represents 13% of the population and that 3% of all cash machines across the UK are fee paying, Londoners lose £18,564,000 if all the fee paying cash machines charge £1.70, however as stated the charge is sometimes greater than that.^{6,7,8}

Sums

Population of UK (Ms)	65,100,000
Population of London (Ms)	8,674,000
% London	13
Total withdrawals	2,800,000,000
3% fee paying	84,000,000
London 13% of population	10,920,000
Multiplied by average fee (£1.70)	£18,564,000

2. <http://www.link.co.uk/about-link/statistics/>

3. <http://www.link.co.uk/about-link/statistics/>

4. Information obtained from personal communication with Link - Jan 3rd 2017

5. <http://www.express.co.uk/news/uk/568469/End-of-rip-off-ATM-machines-charge-withdraw-cash>

6. <https://www.ons.gov.uk/aboutus/transparencyandgovernance/freedomofinformationfoi/londonandukpopulation>

7. <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates>

8. Payments UK, UK Cash & Cash Machines 2016, Page 10

CURRENT INDUSTRY DISPUTE

It has recently emerged that Link cash machines could start charging for accessing cash as a result of an ongoing dispute about fees amongst members of the ATM network. The dispute concerns the fact that some Link network members want to reduce the fees in order to allow their customers to withdraw more cash from ATMs free of charge.

Those who are unhappy suggest a cut in the fee which is paid by card issuers to Link members. The interchange fees total about £900m a year.⁹ If this dispute cannot be resolved, one of the consequences could be that companies with cash machines might begin to switch them from free-to-use to fee-paying. The other concern is that if the fee that providers pay to allow customers to withdraw cash becomes too expensive, a number of cash machines could be closed.

A special committee has been set up by Link to explore a way forward for the current model and the aim is the results of the investigation to be reported later this year. The first meeting of the committee was held in January 2017. The situation has caused concern from Members of Parliament. The hope is that Link via the working group will be able to sort the problems out but there has been warning that if it does not the Treasury Committee will investigate.

Andrew Tyrie, chairman of the Commons Treasury Committee, said: *“Widespread charging would be of considerable concern, particularly in rural areas and poorer urban neighbourhoods. Link now have an opportunity to sort it out. If they don’t, the Treasury Committee will almost certainly need to investigate.”*¹⁰

Because of the potential socioeconomic consequences of this for London, maybe this is a debate that the Mayor of London should immerse himself on behalf of Londoners. The Capital does not need more fee-paying cash machines.

DO PEOPLE STILL USE CASH?

There is a view that the use of cash as a payment method is declining due to the introduction of contactless card payments, online purchases of goods and services and the roll out of chip and pin. However, cash is still a significant payment method in the UK in terms of volume, and the ability to access cash is, therefore, still an important facility

In 2015 cash was still the most commonly used payment mechanism in the UK. Indeed, cash volumes in 2015 were still 70 per cent more than the second most frequently used method of payment,¹¹ and represented a total of 45 per cent of all payments made by consumers and businesses in 2015. Business use of cash is far less common than that of consumers. Whilst cash makes up less than 4 per cent of businesses’ payments, around half of firms make at least some payments this way. However, smaller businesses are more likely to make cash payments than larger ones¹²

9. <https://www.theguardian.com/business/2017/jan/18/link-cash-machines-may-start-charging-row-network-fees-atm>

10. Andrew Tyrie quoted in <http://www.bbc.co.uk/news/business-38760352>

11. Debit cards have 10.1 billion transactions, Payments UK, UK Cash & Cash Machines Summary, July 2016, Page 1

12. Payments UK, UK Cash & Cash Machines Summary, July 2016, Page 1

The barely banked, low income groups and older consumers rely heavily on cash for their payments in comparison to high income people. 40 per cent of consumers who rely on cash have a total household income of less than £10,000, and almost 40% of those aged 65+ rely on cash for day-to-day payments.¹³ These numbers show that because of high volume use for access to free cash, ATMs remain vital, especially for the most vulnerable groups in London.

ACCESS TO CASH - CURRENT CASH-MACHINE DESERTS

In December 2006, there were just over 1,707 Super Output Areas that do not have a cash machine were identified in the UK as having no free cash machines. Super Output Areas are areas for the collection and publication of small area statistics. They are primarily used for neighbourhood statistics. The 1,700 SOAs that were identified in 2006 as having no free cash machines were designated priority areas for new free-to-use ATMs if suitable sites could be found.

There are 4 Super Output Areas in London that do not access to free cash machines. They are located in the boroughs of Bromley, Hackney, Harrow and Havering. This means that these areas must, as a priority, must be encouraged by the Mayor to supply new free cash machines.

In London, there were 89 Super Output Areas that did not have a cash machine in 2006, 85 have now been resolved with the 4 mentioned above remaining. The reduction shows that Link's Financial Inclusion Programme has meant significant progress has been made but work still needs to be done on this measure.

On another measure, having simply one free-to-use cash machine per SOA is possibly insufficient, as machines can break down or mobility issues may make moving from one part of a neighbourhood to another could be challenging. This measure should, therefore, be seen as a bare minimum, not the final aspiration.¹⁴

In 2014, ATM network provider LINK commissioned Toynbee Hall to conduct an investigation into financial inclusion after concerns were raised by Frank Field MP that there was a lack of access to free-to-use ATMs in deprived areas of the UK. The report was conducted using a slightly different criteria to the one mentioned above. Instead of Super Output Areas, the focus of the report was on access in deprived areas rather than general distance to free ATMs. The criteria included areas where more than 25 per cent of consumers were in receipt of government benefits in smaller Output Areas (OAs).

The result indicated that a further 957 Output Areas needed to be added to LINK's target areas. OAs are significantly smaller than SOAs (around 5:1) and there are overlaps in terms of locations with the original programme.¹⁵ When the investigation was done it found that there were 36 Output areas in London, however as of August 2016 there are only 10.

13. Link, Introduction to the Link Scheme 2016, Page 1

14. <http://www.link.co.uk/financial-inclusion/financial-inclusion-mapping-tool/>

15. <http://www.link.co.uk/financial-inclusion/free-access-to-cash/target-areas/>

BANK BRANCH CLOSURES

High street banks traditionally provided almost all the free cash machines. This enabled people to have access to cash closer to where people lived, worked or visited. The closing of bank branches clearly affects access to free cash machines, as their removal obviously lowers the total number of cash machines available.

A little over a decade ago almost all ATM services were provided by banks, but since then the market has undergone a radical shift, mostly prompted by the rapid decline in the number of high street bank branches. Britain's high streets have suffered over 1,000 bank closures in the past two years - with HSBC and RBS reducing their networks the fastest. The UK's biggest banks, including Royal Bank of Scotland, Barclays and Lloyds have shut an estimated 500 branches between them this year alone - 1,046 in two years, according to Which?, as wealthier consumers shift towards digital banking. This includes at least 40 in London, with Chelsea, Morden, Deptford, Southfields, Clapham High Street and Clerkenwell having shut down in 2016¹⁶

In June 2016 TSB announced that 25 branches across Britain would be closing. London on the list was the city with the most closures. There will be as part of this round 5 branches will close 33 Ludgate Hill, Stoke Newington High Street, 19 Highgate Hill, 762 Finchley Road and 44 Bridge Water Street Pinner¹⁷.

Some local communities have asked that banks that decide to close a branch should not remove the cash machines attached to the banks. Sometimes they have been successful, Barclays, for example, closed its branch in Barnes, south-west London, in November 2015 after it was found only 96 customers used the branch for their banking. Customers and a local campaign group gathered more than 3,000 signatures in protest against the closure, and the bank found the main concern was the loss of the cash machine, which would leave that part of the high street without one. The bank agreed to keep the cash machine up and running after the branch was shut¹⁸

Banks do not always listen to such requests, for example, in Enfield, Barclays Bank closed its branch on Lancaster Road and, despite campaigning by the then MP Nick de Bois to retain the cash machine, Barclays but unfortunately removed it. When Lloyds bank closed its Swiss Cottage Branch, the local London Borough of Camden councillor, Cllr Councillor Andrew Marshall contacted Lloyds to ask if the ATM would remain once the branch has closed, however a response was sent to Cllr Marshall to confirm that the ATM would not be left in place.¹⁹

The nearest free cash machine for many when a high street ATM is removed is at a supermarket or a local Post Office branch if there are any. Those supermarkets can be large stores which mean a car or public transport trip which those with mobility problems or low incomes may not be able to afford to go to due to the difficulties and costs of the journey. The time and cost of a journey to a cash machine can mean that people will use fee paying cash machines if they are located closer to where they live.

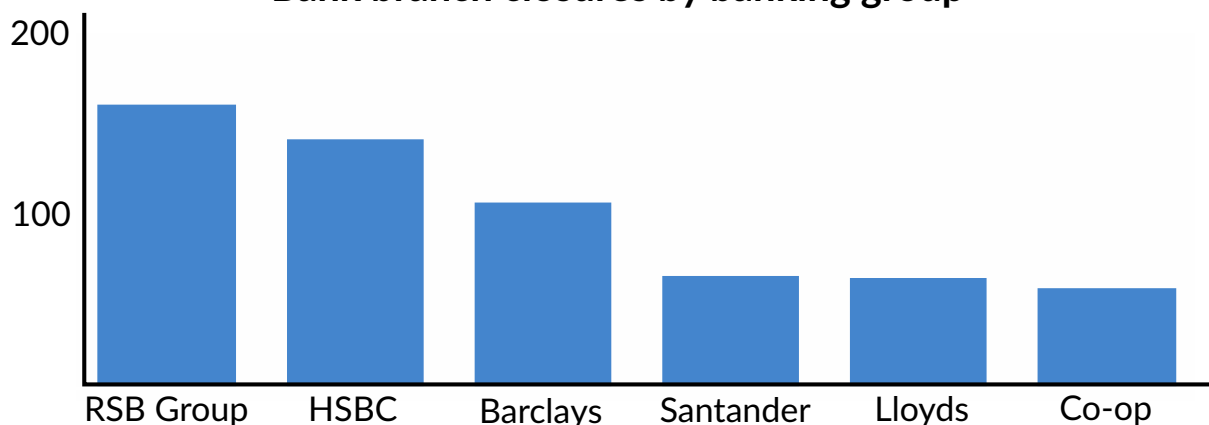
16. <http://www.mirror.co.uk/money/revealed-high-street-bank-closing-9447387>

17. <http://www.express.co.uk/finance/personalfinance/678627/Is-YOUR-local-bank-about-to-close-TSB-branches-listed-for-the-axe>

18. <https://www.lovemoney.com/news/61542/bank-branch-closures-what-to-do>

19. Lloyds Bank, Branch Review Swiss Cottage

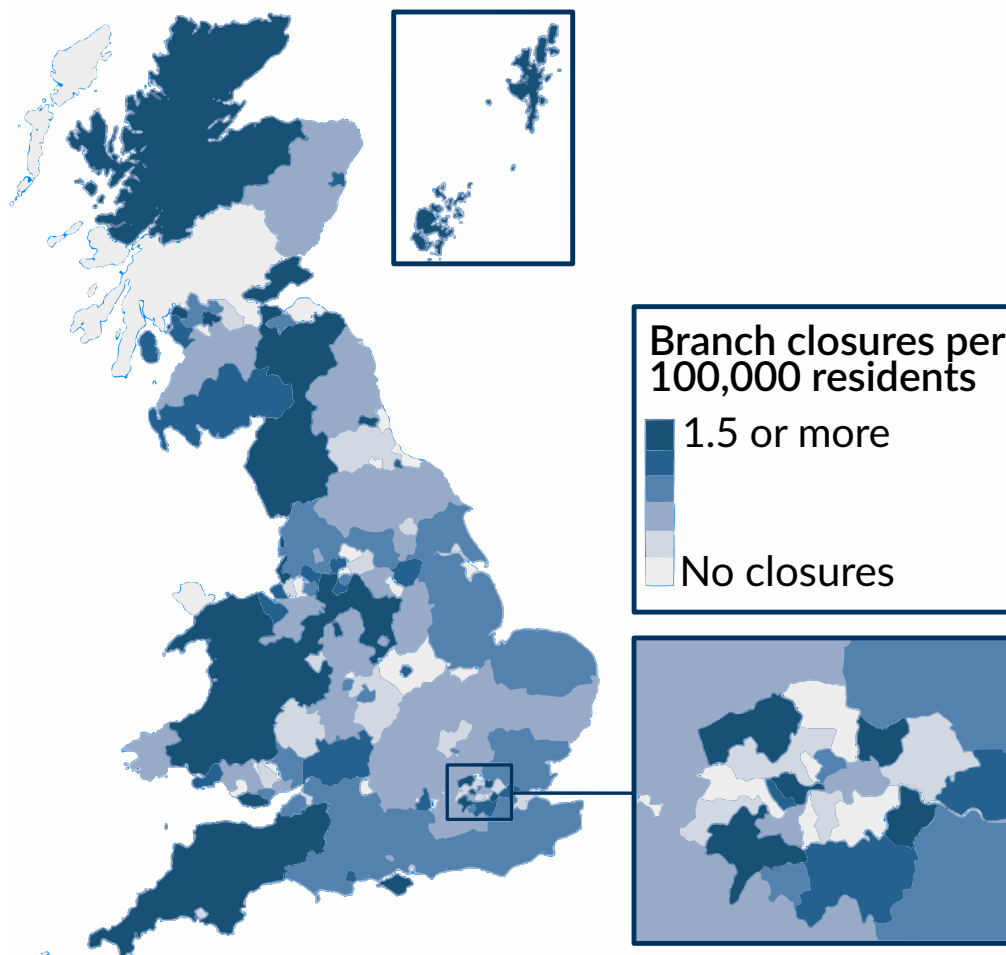
Bank branch closures by banking group



Data from the BBC and ONS²⁰

The bar chart at the top of the page indicates the number of branch closures there have been across the UK from April 2015-2016. The Royal Bank of Scotland as you can see closed the most over that time period. RBS closed 166 branches closely followed by HSBC with 146²¹.

Bank branch closures by area



Data from the BBC and ONS²²

The map of the UK shows the areas where branch closures have occurred and what areas have been most affected by the policy. The London map demonstrates that our capital city has not been immune to branch closures and that the majority of boroughs that have been

20. <http://www.bbc.co.uk/news/business-36268324>

21. <http://www.bbc.co.uk/news/business-36268324>

22. <http://www.bbc.co.uk/news/business-36268324>

worst hit are in Outer London including Barnet, Bexley, Harrow, Kingston and Richmond.

LOW INCOME GROUPS AND FREE CASH

In 2014, Frank Field (then David Cameron's Poverty Czar) said that more than 300,000 of Britain's poorest people live at least 1km from a free-to-use cash machine.²³ There have, since then, been persistent concerns about the lack of free-to-use machines in poorer areas. In 2013 for example Which magazine did a snapshot survey that found two deprived areas in London (Hackney and Tottenham) had far fewer free cash machines than more affluent parts of the Capital. These concerns were raised despite the existence since 2006 of a long-term financial inclusion programme run by LINK, the membership scheme for ATM providers.²⁴

The 'barely banked' (those that rely on cash to meet their living costs and possess only Basic Bank Accounts), other low income groups and older consumers rely strongly on cash for their payments. Indeed, 40 per cent of consumers who rely on cash have a total household income of less than £10,000 and almost 40 per cent of those aged 65+ rely on cash for day-to-day payments.²⁵ In total, 84 per cent of the general population in England and Wales were found to live within 1km of a free-to-use to access ATM, which is the industry-agreed standard for financial inclusion access.

However, where there is further distance than 1km to a free-to-use cash machine it may have little or no impact for the majority of people but it becomes more problematic for people with limited mobility, sole carer requirements and/or whose life circumstances mean they have few opportunities to travel away from their home. People in these circumstances are also often on the lowest incomes, often reliant on benefits, and are often frugal with their spending, so they may require greater than average access to cash.²⁶ The research done by Link finds clear evidence that there can be a significant negative impact of having to use a pay-to-use ATM on a regular basis.

The industry standard of being 1km away from a free-to-use cash machine is adequate for most but for some, it still can be too far. If you live 1km away, it equates to a 2km round trip to an ATM. Pay-to-use cash machines are often, but not solely, located in local shopping parades, in newsagents, mini marts, and convenience stores. These locations can often be closer, for example, if you live on a housing estate than free to use high street bank or supermarket ATMs, which makes them more accessible to those whose current life circumstance makes it difficult for them to travel further.

There may be an argument that greater access to free cash machines might have an impact on the businesses that have a fee charging ATMs in them, but if people are losing between 10-20% of the total amount of money they have taken out from the fee charging ATMs they, in-turn, have less money to spend in general. Companies who install and operate cash machines generally pay business rates to the local authority for each machine. This makes it costly to have a free cash machine.

23. <https://www.theguardian.com/society/2014/jan/01/poor-people-free-cash-machines>

24. http://www.link.co.uk/media/1103/toynbee_hall_full_report.pdf- p3

25. http://www.link.co.uk/media/1201/introduction_to_link.pdf

26. http://www.link.co.uk/media/1103/toynbee_hall_full_report.pdf p3

The Association of Convenience Stores has advised that the introduction of a standalone free to use cash machine (not in or attached to another retailer) would be welcomed by most retailers, as it would drive more footfall to a shopping parade or high street, and encourages spending²⁷ The added benefit would be that it would reduce costs for the convenience store if a stand-alone ATM was situated close to their store.

In a report by Link, which looked into access to free cash machines, and in particular how it affects those with low incomes, many stated that they wish to obtain small withdrawals between £1-10. When they use a fee paying cash machine it means a significantly large proportion of the remaining balance is lost in charges to access the cash, e.g. a £2 charge on a £12 balance. This impacted heavily on those whose budgets were too finely balanced to afford the flexibility to take out a larger amount of money in order to reduce the impact of the charge.²⁸

27. E Woodall, Association of Convenience Stores (personal communication - 18/01/2017)

28. http://www.link.co.uk/media/1103/toynbee_hall_full_report.pdf p28

CONCLUSION

In conclusion, since work started in this area in 2006, industry and politicians have worked to resolve the problem of Londoners being too far away from free cash machines. However, in London there are still four Super Output Areas that are not within the industry standard of 1km from a free-to-use ATM meaning in reality a 2km round trip. Further, for many, sometimes even 1km is too far if you have mobility problems or sole carer responsibilities that make leaving home more difficult.

The claim that people on low incomes are particularly hit by fee paying cash machines has been discussed in detail in the report and proven beyond doubt. Many people on low incomes often prefer to use cash, rather than electronic payments, to manage their finances. This report also states that on average some people take out £10-20 therefore if you use a fee charging ATM, people can lose up to 20 per cent of what they take out that, which, for people on tight budgets, represents a significant amount of money.

The issues discussed in this report show that more can be done to improve access to free cash machines. Paying to access your own cash when you could lose 20 per cent of your income to do so is unacceptable. This report recommends four actions that can be taken by the Mayor in order to aid access to free cash machines. The recommendations are:

PRINCIPLE RECOMMENDATIONS

RECOMMENDATION #1 - The Mayor should include in the London Plan or his Supplementary Planning Guidance the requirement that master-planning for major developments should include suitable provision for free cash machines where necessary.

RECOMMENDATION #2 - The Mayor should classify free cash machines as 'social infrastructure' within the London Plan.

RECOMMENDATION #3 - The Mayor should work with the London boroughs and other public bodies to promote the inclusion of free-to-use cash machines in public buildings.

RECOMMENDATION #4 - TfL should ensure that there should be a free-to-use cash machine at where possible at London Underground, London Overground, TfL Rail, DLR stations and TfL property.



FEEDBACK

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