

Money and Mental Health submission to HM Treasury's consultation: Access to Cash

Introduction

The Money and Mental Health Policy Institute is a research charity, established in 2016 by Martin Lewis to break the link between financial difficulty and mental health problems. The Institute's research and policy work is informed by our Research Community, a group of 5,000 people with lived experience of mental health problems or of caring for someone who does.

This written submission has been informed by this powerful, lived experience testimony, as well as our wider body of research. Unless otherwise specified, all quotes in this response are drawn directly from our Research Community.

In this document, we respond to questions 1, 2, 3, 6, 8, 11 and 12.

Background

- In any given year, one in four people will experience a mental health problem,¹ and over a lifetime this rises to nearly half the population². However, we do not always know when we are unwell, or receive treatment. Over a third (36%) of people with a common mental disorder have never received a diagnosis, and 62% are not currently receiving treatment.³
- Common symptoms of mental health problems, like low motivation, unreliable memory, limited concentration and reduced planning and problem-solving abilities, can make managing money significantly harder.⁴ These common symptoms can also make it more difficult to interact with essential service providers, like banks.⁵
- People with mental health problems are three and a half times more likely to be in problem debt as those without, and half (46%) of adults in problem debt also have a mental health problem.⁶
- The incomes of people with mental health problems are significantly lower than average, for people with common mental disorders like anxiety or depression this equates to an income

¹ McManus S et al. Adult psychiatric morbidity in England, 2007. Results of a household survey. NHS Information Centre for Health and Social Care. 2009.

² Mental Health Foundation. Fundamental facts about mental health. 2016.

³ McManus S et al. Mental health and wellbeing in England: Adult Psychiatric Morbidity Survey 2014. NHS Digital. 2016.

⁴ Holkar M. Seeing through the fog. Money and Mental Health Policy Institute. 2017.

⁵ Holkar M, Evans K and Langston K. Access Essentials. Money and Mental Health Policy Institute. 2018.

⁶ Holkar M. Debt and mental health: a statistical update. Money and Mental Health Policy Institute. 2019.

gap of £8,400.⁷ This can mean they have less savings to fall back on when their income drops.

- As a result of this income gap, some people with mental health problems prefer to use cash over other payment methods because it can help them budget. For other people with mental health problems cash can help them stay in control of their spending when unwell, or give money to a carer to help with shopping without handing over cards and PINs.⁸
- Not being able to access or use cash can have a negative impact on people with mental health problems, ranging from minor inconveniences to more significant financial and psychological harms.⁹

Summary

- We welcome the proposed geographic requirements for access to cash as cash continues to play an important role in many people's financial lives.
- The legislation should be proportionate and simple, reflecting the current distribution of cash facilities. However, the legislation should take into account local factors that affect access to cash and consider the different types of access point.
- Beyond an overall requirement, the government could introduce requirements for rural and urban areas, and for bank branches. The government should also make membership of the Post Office Banking Framework and the LINK ATM scheme compulsory for designated firms to ensure the requirements are effective.
- We believe the FCA should be the lead regulator for access to cash. However, the government needs to provide more clarity about what exactly will come under the FCA's regulatory remit.

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?

We would welcome the introduction of legislation to provide the government with powers to set geographic requirements around access to cash. While the use of cash has been on decline, it still remains important to many people across the country. For example, a significant proportion of Research Community respondents (41%) often pay with cash and 5% rely exclusively on

⁷ Bond N and D'Arcy C. Mind the income gap. Money and Mental Health Policy Institute. 2020.

⁸ Lees C. Money and Mental Health submission to HM Treasury's call for evidence: Access to Cash. Money and Mental Health Policy Institute. 2020; Holkar M. Access to cash: Cashed out. Money and Mental Health Policy Institute. 2018.

⁹ Lees C. Money and Mental Health submission to HM Treasury's call for evidence: Access to Cash. Money and Mental Health Policy Institute. 2020.

cash.¹⁰ The proposed legislation should also help reduce the impact of the continued closure of bank branches and other cash access points.

Why people continue to use cash

The reasons why people continue to use cash can vary. For example, for people with mental health problems whose symptoms can include increased impulsivity and difficulty processing information, cash can help them manage their spending when they are unwell. A majority of respondents (72%) to a Research Community survey agreed it was easier to control spending when using cash.¹¹ For some, this feeling of control comes from the physical nature of cash which can make spending more tangible.

Cash can also be used by people with mental health problems to help them with their budgeting. Financial difficulty and mental health problems often go hand in hand and people with mental health problems can face a significant income gap compared to people without mental health problems.¹² Being able to manage limited funds can become an essential task and in a survey among our Research Community, seven in ten (72%) respondents agreed that cash helped them to budget.¹³ For some people with mental health problems, cash can provide them a better sense of how much they have to spend; whereas debit cards and digital payment methods can make budgeting harder. For example, transaction processing delays can be problematic for someone who struggles with their memory as a result of their condition.

“Having cash in my purse shows me how much I have to spend, whereas via my bank card online I have to check my bank’s app to get an up to date balance.”

Expert by experience

Finally, many people with mental health problems rely on support with their finances from carers, friends or family members when they are unwell. Arranging third party access to financial services can often involve a complicated and difficult process, leading some people to instead rely on risky workarounds such as sharing cards and PINs.¹⁴ Cash can therefore be seen as a simpler, more secure way of getting help with shopping and other financial management.¹⁵

¹⁰ Holkar M. Access to Cash: Cashed Out: Attitudes among people with mental health problems to cash and digital payments. Money and Mental Health Policy Institute. 2018.

¹¹ Lees C. Money and Mental Health submission to HM Treasury’s call for evidence: Access to Cash. Money and Mental Health Policy Institute. 2020.

¹² Bond N and D’Arcy C. Mind the income gap. Money and Mental Health Policy Institute. 2020.

¹³ Lees C. Money and Mental Health submission to HM Treasury’s call for evidence: Access to Cash. Money and Mental Health Policy Institute. 2020.

¹⁴ Bond N, Evans K and Holkar M. A little help from my friends. Money and Mental Health Policy Institute. 2019.

¹⁵ Holkar M. Access to cash: Cashed out. Money and Mental Health Policy Institute. 2018.

The impact of not having access to cash

As banks and other cash access points continue to close, it can be harder for some people to access the cash they need. In a Research Community survey, three in ten (29%) respondents said they had struggled to find a place to withdraw cash in the year before the pandemic began. Four in ten (37%) disagreed with the statement that it is easy to get hold of cash.¹⁶

Not being able to access or use cash can have a varying impact on consumers. This can include having to travel further to withdraw cash or having to go without a purchase if they are unable to pay by cash. Research Community members have explained how they have felt anxious, embarrassed and judged after being told they couldn't pay by cash. Having to pay with another payment method can have a knock on effect on someone's ability to budget, for example if they had already withdrawn a specific amount of cash to fit their budget.¹⁷

Given the continuing importance of cash and the impact not being able to access it can have, introducing legislation that will set geographic requirements with regard to access to cash would be a welcome step.

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

The current cash system is complicated with a range of actors, regulators and requirements for firms. Given this, it is vital that the legislative geographic requirements are clear and lead to common practice across the sector. However, while it is crucial that the requirements are as simple as possible, they should not be too rigid and instead take into account different factors, such as local geography and access to public transport. A simple 'as the crow flies' requirement would not consider how a consumer would actually travel to the cash access point.

The consultation document outlines that the government thinks such additional factors would be best addressed by industry actions and via regulatory oversight. However, it might be necessary for the government to introduce some additional requirements for specific geographies, below the headline requirement, to deal with this complexity. For example, people living in more rural areas with patchier public transport links may face higher barriers to access

¹⁶ Lees C. Money and Mental Health submission to HM Treasury's call for evidence: Access to Cash. Money and Mental Health Policy Institute. 2020.

¹⁷ Lees C. Money and Mental Health submission to HM Treasury's call for evidence: Access to Cash. Money and Mental Health Policy Institute. 2020.

cash. If this is not an option, it would be preferential if the legislation places oversight of how these additional factors interact with the geographic requirements with the lead regulator. This will ensure that there is greater consistency across the sector and there are clearer incentives for compliance, something that is less likely under an industry-led initiative.

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?

We believe that it is important to set geographic requirements that reflect the current distribution of cash access facilities. Recent studies have shown that significant proportions of the public live within a kilometre of a cash access point.¹⁸ Using the current distribution will help guarantee that people will not have to travel further than they do currently to access cash. This approach could lead to some gaps where areas are not currently well served by the cash infrastructure and would benefit from having a closer access point. This could be dealt with in the legislation or something the regulator should consider along with other factors raised in the previous answer.

The types of facility in scope

The government will need to clarify what facilities are to be included within the geographic requirements. The estimates by the University of Bristol that 90% of neighbourhoods in the UK have free access to cash within a kilometre include ATMs and post offices. If the requirements do include all free-to-use facilities, the government should make membership of both the Post Office Banking Framework and the LINK ATM scheme compulsory for designated firms. This will help ensure the requirements are effective and that all firms follow them. Without this, if a bank left the Post Office Banking Framework and then closed a branch in a community where the only cash access point is a post office, the bank's customers would be left without access.

The geographic requirements should then take into consideration what can be done at the different facilities. The Post Office has been considered to be an important player in the future of the UK's cash infrastructure. While it allows consumers to perform some basic banking transactions, such as withdrawing cash, it does not have the same facilities as a bank branch, like private rooms where staff can discuss sensitive issues with customers. Additionally, many people are not aware of or have not used the banking services provided by the Post Office.¹⁹

¹⁸ D Tischer et al. Where to withdraw? University of Bristol. 2020; The Financial Conduct Authority (FCA). Access to cash coverage in the UK 2021 Q1. Accessed 01/09/2021 - <https://www.fca.org.uk/data/access-cash-coverage-uk-2021-q1>.

¹⁹ Parrot J. The government needs to find out why people aren't banking at post offices. Citizens Advice. 2018. Accessed 17/09/2021 -

Questions have also been raised about the consistency in customer service and staff training.²⁰ Bank branches themselves remain essential for many consumers. In particular, the ability to speak to someone face to face can be essential for many people with mental health problems who can face significant difficulties when using the phone.²¹ Speaking to a staff member in a branch can also provide more of a human touch compared to a webchat. Despite there being a voluntary 'access to banking' standard operated by the Lending Standards Board, as well as FCA guidance around the closure of branches, bank branches have continued to close at a substantial rate in this country.²² This means that less than a third (31%) of the UK population live within a kilometre of a bank branch, although this does rise to nine in ten (88%) within five kilometres.²³ Banks have to comply with the FCA's guidance on vulnerable customers, meaning that as branches continue to close there is the risk of a rolling back of protections for vulnerable customers as the Post Office's cash withdrawal services are not currently under FCA regulation.

A simple approach that includes all cash access points could lead to a situation where a firm can close a bank branch in a community as there is a cash access point within the geographic requirements even if the next nearest branch is much further away. This could mean consumers can still access cash without traveling significant distances but leave them without local access to more in-depth financial services. This is a particular issue for more vulnerable customers who are more likely to struggle to access banking services through the telephone or online.²⁴ The legislation could introduce a headline requirement for firms that includes all free-to-use access points, as well as additional requirements for different types of facility such as branches. The government should also make sure that cash providers included within the scope of the requirements are able to provide an adequate service to consumers. For example, consumers should expect to receive consistent customer service when going to a post office and staff should receive some training on dealing with vulnerable customers. Bringing the cash withdrawal service of the Post Office into the FCA's regulatory remit would help to ensure the fair treatment of vulnerable customers. Whatever facilities are within the scope of the requirements, it is essential that consumers are made aware of what they are, where they are and what transactions they allow consumers to do.

<https://wearecitizensadvice.org.uk/the-government-needs-to-find-out-why-people-arent-banking-at-post-offices-80d3aa158970>.

²⁰ A Barnett, J Parrott and A Burgess. Banking on it. Citizens Advice. 2020; Ceeney et al. Response to HMT call for evidence – Access to Cash. Access to Cash Review. 2020; Natusch G. Which? response to HM Treasury Access to Cash: Call For Evidence. Which? 2020; House of Commons Business, Energy and Industrial Strategy Committee. Office Network First Report of Session 2019–20. 2019.

²¹ Holkar M, Evans K and Langston K. Access essentials. Money and Mental Health Policy Institute. 2018.

²² Bank branch closures: is your local bank closing? Which? 2021. Accessed 20/07/21 - <https://www.which.co.uk/money/banking/switching-your-bank/bank-branch-closures-is-your-local-bank-closing-a28n44c8z0h5>.

²³ The Financial Conduct Authority (FCA). Access to cash coverage in the UK 2021 Q1. Access 01/09/2021 - <https://www.fca.org.uk/data/access-cash-coverage-uk-2021-q1>.

²⁴ Holkar M, Evans K and Langston K. Access essentials. Money and Mental Health Policy Institute. 2018; Steele D. Age Friendly Banking. Age UK and AARP. 2016.

Geographic considerations

As our answer to the previous question highlighted, it is important that local factors are taken into account in the application of the legislation. For example, while 83% of the UK population live within a kilometre of a free-to-use ATM, only 38% of people living within rural areas have this access.²⁵ This could mean that these areas might need new access points to meet the geographic requirements. This could be dealt with by regulatory action, as suggested in point 4.9 in the consultation document. Alternatively, the legislation could take a similar approach to the Post Office Network minimum access requirements where there is an overall geographic requirement for post offices within the UK and then separate requirements for rural and urban areas.

Being flexible

While it is crucial that the requirements reflect the current distribution, as the consultation document sets out the legislation will need to be flexible to take into account people's changing behaviours. The requirements will allow a more gradual transition to an economy where cash has a much smaller significance, providing more time for consumers to adapt and thus reduce the negative impact that this has on the population. Any changes to the requirement would need to be carefully considered to ensure that it does not reflect forced changes in consumer behaviour. For example, cash use may decline if shops stop accepting it but this does not necessarily mean that consumers will be confident using alternative methods and as such signal the end of cash.

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

The government's intention to make the requirements proportionate and so only applying them to the largest firms is sensible given those companies' continued dominance in the market. However, this may mean that the government will have to consider how to ensure that the cash infrastructure remains sustainable. The government will also need to clarify what role other providers of cash facilities such as the Post Office and the LINK network will have within the requirements and whether they will come under the single regulator.

As the consultation document outlines, the financial services sector is still dominated by a few larger firms. As such, it is to be expected that the government would place the responsibility for

²⁵ The Financial Conduct Authority (FCA). Access to cash coverage in the UK 2021 Q1. Access 01/09/2021 - <https://www.fca.org.uk/data/access-cash-coverage-uk-2021-q1>.

providing access to cash with them. Focusing on the larger firms could also allow the government to tackle the continued closure of bank branches, which remain important to many people. Legislation could introduce geographic requirements, beyond an overall headline requirement, that apply to bank branches specifically. Larger firms will also have a historic presence in communities through their branches, but newer and smaller firms are more likely to be digital-only and used more by those who do not rely on cash.

The larger firms, however, are likely to put forward the argument that the cost of providing access to cash will fall on them, giving the smaller digital-first banks a competitive advantage. Fairness within the banking sector is important, and this could be dealt with in further legislation or regulation to ensure that the cost of maintaining access to cash is equitably shared within the sector. But such concerns should not be put ahead of the needs of customers who rely on cash and are at risk in light of waves of branch and ATM closures.

If the Treasury does class the largest payment account providers as designated firms for these purposes, there will need to be clarity about what is included within the geographic requirements and regulation. As outlined in our answer to question three, the government should make membership of both the LINK ATM scheme and Post Office Banking Framework compulsory for designated firms to guarantee that consumers have access to a wide range of different options. The government should also put all cash providers under a single regulator, regardless of whether the geographic requirements apply to them or not.

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

We agree that there should be a single lead regulator to ensure consistency in the sector. Given its current role in regulation, this should be the FCA.

Firstly, we believe that it is important to have one lead regulator for access to cash to make sure that there is a clear set of requirements for firms to follow and, therefore, promote consistency across the sector. The cash system and the regulation of it has been complicated with varying requirements for different types of firms. The government's proposals will help simplify this, but there will need to be clarity on what roles the Bank of England and the PSR will play and how this relates to the FCA as the lead regulator. Given that cash can also be accessed through facilities that are not currently regulated by the FCA such as the Post Office's withdrawal service, there will need to be more detail on what the FCA's role would be regarding these providers. The consultation document does outline that the FCA could apply its information-gathering powers to these providers, but how this works in practice will need to be developed. Furthermore, if the FCA is to have a statutory responsibility to ensure that cash

access points provide reasonable access for cash users, the government will need to set out whether this would apply to providers who are not designated firms. Given these issues, it would be best if the FCA regulated the cash provision activities of all the firms in the cash infrastructure, such as the Post Office, and not just the largest payment account providers who will be subject to the geographic requirements.

Secondly, we agree that the FCA is best suited to be this lead regulator. The FCA currently regulates many of the firms that provide access to cash and has provided guidance on similar issues, such as on what firms should do when they close a branch or ATM facility. The FCA already has a statutory duty to ensure an appropriate degree of protection for consumers and so would be able to fill this additional role well. Additionally, the FCA's experience in developing guidance on the fair treatment of vulnerable customers will help guarantee that the needs of vulnerable customers are paramount. This is essential given that many of the people who rely on cash could be classed as vulnerable.

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?

As set out elsewhere in this response, there will likely be parts of the country in which the overall requirements do not meet the needs of consumers, particularly rural areas. The government could initially take an approach similar to the Post Office Network minimum access requirements, with an overall requirement and additional requirements for rural and urban areas. As suggested in the consultation document, the FCA could then have responsibility to address any 'cold spots' where the requirements are not being met at a local level. This could include requiring a designated firm to provide a new cash access point in the 'cold spot' area.

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

The proposed geographic requirements will help ease the shift to a society that is less reliant on cash. However, ensuring access to cash is not the only way to protect vulnerable customers during this transition. Instead, it needs to go hand-in-hand with an approach that ensures digital payments work for all customers. It is crucial that the digital payments infrastructure is further developed so that digital payments are increasingly able to serve the functions that cash has previously served, particularly for vulnerable customers.

For example, there need to be more spending controls introduced by banks and other financial service providers that help people stay in control of their spending when not using cash. Many banks now provide a gambling block but there has yet to be significant development in wider tools that can help people limit their spending elsewhere, like on shopping sites. Banks have introduced more budgeting tools for their customers but there will need to be greater engagement with people who currently use cash for budgeting reasons. Digital payment methods should also aid customers who rely on the support of others when unwell and give them more flexibility compared to existing third party access tools. The introduction of carer cards by some banks has been a welcome step but needs to be adopted more widely.

This is an area that the government and regulators need to take a lead on. As a starting point, there should be a drive for an industry pledge to provide customers with more tools to help them manage their spending and finances, and to offer the support to customers to allow them to be confident using the tools. Financial service providers and fintech companies need to ensure that they are involving people with a range of needs, particularly those who currently rely on cash, when designing these tools.