



Everyday Finances: What consumers need in 1990s Which?

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Neil.Johnson@ageuk.org.uk

Age UK
Tavis House
1-6 Tavistock Square
London WC1H 9NA
0800 169 8080 020 3083 1000
E policy@ageuk.org.uk
www.ageuk.org.uk

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Which? has published research ('Everyday Finances – what customers need in a changing world of banking and payments') that seeks to understand what people need and expect from the retail banking and payments industries.

The research found that new technology, coupled with cost cutting by banks and new regulation, is seeing the way in which people spend money and conduct their banking changing. This rapid move – promoted by the industry – to online banking and digital payments is being accompanied by an equally rapid decline in the availability of high street bank branches and ATMs, along with further decline in cash use.

The research also found that these trends have delivered significant benefits to the industry and to some consumers. However, it has also created risks. As banks withdraw from the high street in favour of online digital services, many people are losing access to core banking services and consequently will struggle to keep control of their finances in a more complex and personalised financial world. This will in turn make it harder for them to manage their day to day finances.

Which? have sought comments on several of the issues that arise from the research

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.

Access problems are approaching the level at which a Universal Service Obligation should be considered to ensure all consumers have convenient, accessible and safe ways to receive and store money, and make payments.

The Access to Banking Standard needs to be strengthened to require a bank to

savings to fall back on, and so they will require a range of services that will be focussed on how they can best manage the limited resources they have.

There is still a preference for personal, branch based banking amongst older people⁴. 53% of older people had only used non digital banking methods to access their account in the last three months⁵.

We return to these issues later in our response, but believe that the level of bank branch and ATM closures has reached a point that means the time is now approaching that a Universal Service Obligation (USO) for banking should be properly considered. Banking is increasingly regarded as an essential service – like water, power and communications – so a USO, regulated by the FCA, would ensure that all consumers have affordable, convenient and safe ways to receive and store money, along with making payments.

Transactional banking services fulfil European requirements for an essential service, and are equivalent to other services in the UK for which a USO already exists⁶.

To reflect banking's status as an essential service, Government needs to take a more active role in ensuring access to banking. A subset of the Financial Inclusion Policy Forum should be established, tasked with investigating how access to banking services can be maintained and ensuring that banks are delivering a good quality service to consumers. Ultimately, consideration may be needed to introduce legislation to require 'bricks and mortar' businesses to accept cash, in a similar way to that recently introduced in New York⁷.

The rise of digital banking can also be a mixed blessing even for those who are digitally aware. Those who wish to use digital banking services may be unable to do so because of a poor broadband connection, or may not be able to afford either an internet connection or the hardware required.

We particularly welcome the conclusions to this section, highlighting the need to support people left behind by any changes, especially where the changes will benefit the industry and a minority of engaged customers to the detriment of the majority.

Question 2

No. We have seen banks – over a period of many years – continue to close both branches and ATMs in the face of local opposition and argue that their internet and wider digital offering more than compensates for these closures.

Clearly, the move to these new technology based solutions will be welcomed by some

the number of branches is minimised. The main beneficiary of closing branches is the coming through new technology based providers. By definition, these services are least applicable to people not online.

The Access to Banking Standard does not provide an effective level of protection to bank customers.

The Standard requires banks considering closing branches to inform their customers of the potential closure and to make them aware of other banking options. It also requires banks to minimise the number of branches that they shut.

Banks could do more to encourage use of their existing branch network. Customers would, for example, use branches more if they had extended service hours via virtual services with a representative in the branch (36 per cent of consumers), provided digital self help screens with the option of help from a representative if required (34 per cent), 'virtual meetings' with staff via video (52 per cent) and providing café style facilities (34 per cent)⁹. Banks must be more proactive in considering methods to increase a branch's footfall and viability before taking the decision to close a branch.

However, banks are continuing to close branches and there are increasing numbers of 'deserts' with no branch provision, and consequent problems encountered by people accessing in branch and their cash. In 2017, around 10 per cent of the rural population lived at least 10 miles away from their nearest branch, while in some localities there were even bigger problems. 45 per cent of people in West Devon lived at least 10 miles away from a branch, while in Aberdeenshire 60 per cent

The post office banking system (both by a post office offering transactional services for banks or via the operation of its own products and the Post Office Card Account) represents a banking option for many older people. 19 per cent of people aged 65+ had used the Post Office to access or manage their bank account in the last three months compared to just 12 per cent of those aged 35-64¹².

Using the Post Office network has become the 'go to' response of banks and others when talking about branch closures, with them directing customers impacted by closures to the post office to access their services, and highlighting the extensive coverage of the network. Delivering banking services via the post office is also a good way of sustaining the post office network, which we know is important to many people, young and old¹³.

We support the use of post offices for transactional banking services such as cash withdrawals, but for this to be effective, it needs the full, ongoing support of the banking industry. Barclays, for example, announced in October 2019 that it would end cash withdrawals at post offices. Although they later rescinded this decision, it was only for three years¹⁴.

Nor can post offices be a complete alternative to a branch. Post offices often have long queuing times for service (which 14 per cent of post office shoppers felt was unacceptable)¹⁵ a lack of privacy and a lack of banking advice.

If branches continue to close and this leads to a further reduction in the number of branches, it will also mean that the number of branches will continue to decline (1d)

comparison websites to attract new customers. This focus on the 'average' customer risks excluding those who are not so easy to serve out of the market

This is particularly prevalent in the insurance sector; where older people find they are unable to buy cover or it is offered at an unaffordable premium- as a consequence of their age. In the mortgage sector; an older person who meets all of the income and other requirements to take out a loan would probably be unable to do so as, for example, the

