

**Lending Standards Board**

**The Access to Banking Standard Review 2021**

**Report and Recommendations**

**December 2021**

## Contents

<b>1. Executive Summary .....</b>	<b>1</b>
<b>1.1 Key findings .....</b>	<b>1</b>
<b>1.2 Recommendations and next steps.....</b>	<b>4</b>
<b>2. Background to the Access to Banking Standard .....</b>	<b>7</b>
<b>2.1 The Access to Banking Standard.....</b>	<b>7</b>
<b>2.2 The role of the LSB.....</b>	<b>7</b>
<b>2.3 The wider environment .....</b>	<b>8</b>
<b>3. The Method and Approach .....</b>	<b>12</b>
<b>3.1 The consultation process .....</b>	<b>12</b>
<b>3.2 LSB oversight .....</b>	<b>13</b>
<b>3.3 Findings of the review.....</b>	<b>13</b>
<b>4. Feedback and findings .....</b>	<b>14</b>
<b>4.1 Implementation and the effectiveness of the Standard .....</b>	<b>14</b>
<b>4.2 The impact of changes in the provision and use of banking services .....</b>	<b>20</b>
<b>4.3 The impact of changes in regulation and dual LSB and FCA oversight .....</b>	<b>23</b>
<b>5. Conclusions and recommendations .....</b>	<b>26</b>
<b>5.1 Recommendations.....</b>	<b>27</b>
<b>5.2 Next steps .....</b>	<b>29</b>

## 1. Executive Summary

The Lending Standards Board (LSB) is the primary self-regulatory body for the banking and lending industry. We operate with a mission to drive fair customer outcomes for consumers and SMEs within financial services through our independent oversight.

It was our experience of providing robust independent oversight that led to the LSB taking on the role of overseeing the implementation of the Access to Banking Standard (the Standard) in 2017.

After four years of monitoring branch closure programmes and working with firms to ensure that the Standard has been properly implemented, we agreed with UK Finance to initiate a review of the industry Standard. The LSB's Access to Banking Standard Review was launched in June 2021. The purpose of the review has been to consider whether the Standard has been effective in ensuring the right support is provided to customers, whether the commitments from firms could be improved, and whether there needs to be changes to the Standard, or to the governance and oversight of it.

This report provides a summary of the findings from the review and sets out recommendations to UK Finance and signatory firms, as owners of the Standard. Alongside our recommendations, we have also set out an additional recommendation for consideration by the Financial Conduct Authority (FCA) as the statutory regulator responsible for ensuring that the customers of retail banking providers are treated fairly.

The findings and recommendations in this report build on the responses we received to our consultation, the findings from our oversight activity, the engagement with relevant industry, consumer and SME representatives, and other relevant available research and evidence.

### 1.1 Key findings

Through the Standard, 12 of the major high street banking providers in the UK are committed to ensuring that their customers, who are impacted by a branch closure or a significant reduction in branch opening hours, are communicated with openly and treated fairly.<sup>1</sup>

The objective of the Standard is to ensure that customers and relevant stakeholders of a branch that is closing, or significantly reducing services, are provided with clear, understandable, accessible documentation and information about that specific loss of services as soon as the bank is able to do so. They will also be told what a loss of services will mean for them, and how they can continue to bank following the closure.

There was a general view from respondents to our consultation, including both industry and consumer representatives, that the objective of the Standard was clear and that the Standard had provided a benefit to consumers by encouraging or ensuring better communications and support for customers where the branches of signatory banks have closed.

---

<sup>1</sup> See section 2.1 for a list of firms.

It is also clear that oversight provided by the LSB over the past four years has ensured that compliance with the Standard has not just been a ‘tick box’ exercise. Firms closing branches or significantly reducing branch hours have been subject to independent reviews by the LSB and have worked with us, and as an industry, to develop and demonstrate their commitments to good practice.

While our oversight work gives us confidence that the commitments in the Standard have been embedded and adhered to by firms, we recognise that there always remains some scope to improve customer outcomes. Indeed, our latest oversight report acknowledges that, while we have not identified any areas of non-adherence to the Standard, we have identified areas for improvement in relation to both the communication of closure information and firms’ identification of, and support for, vulnerable customers.

Throughout the review process, the feedback received by the LSB has primarily focused on either what change could be made to existing commitments to improve outcomes for customers or the impact of the Financial Conduct Authority’s (FCA) guidance on branch and ATM closures on the Standard and the current oversight provided by the LSB.<sup>2</sup>

### **Areas for improvement**

The feedback on whether the Standard continues to represent the most effective way of ensuring customers are treated fairly when there is a loss of branch services was varied. In summary:

- Most respondents highlighted that the FCA’s guidance on branch and ATM closures sets out similar expectations on firms and has a wider reach, covering all relevant firms rather than just the 12 banks signed up to the Standard. This means that there is the potential for confusion for both firms and consumers as FCA sets expectations and supervises closures alongside the LSB.
- Most respondents acknowledged or suggested that there would be more clarity and a reduced burden on firms if the FCA were to be the sole organisation responsible for supervising branch closures. As such, many respondents suggested that the FCA should ensure their guidance, and potentially future rules, capture or enhance the expectations on firms set out in the Standard.
- Respondents highlighted a range of areas where improvements could be made to the banks’ commitments on branch closures or changes to available services, including:
  - Introducing more details on how banks can support vulnerable customers.
  - Improving on the existing industry minimum definition of, and approach to understand, ‘impacted customers’. In particular, in relation to less frequent users and those using non-transactional services.

---

<sup>2</sup> See [FG20/3](#), FCA, September 2020

- Introducing further guidance or commitments to strengthen the support and information provided to local businesses when branches close or services are reduced.
- Setting out more clearly expectations on firms on how they should support customers to use alternative services, particularly the Post Office, and on how firms should engage with alternative providers once a decision to close a branch or to change the services available in branch has been made.
- Consumer representatives also called for a requirement for consultations or engagement with consumers prior to a branch closure decision being finalised.

In addition to these areas for improvement, some respondents highlighted that the increasing number of branch closures mean that customers are more likely to be at risk of losing local access to key banking services, such as cash services, when a branch closes or when there are changes that significantly reduce access to branch services. They highlighted that the Standard cannot prevent the loss of services and that the LSB lacks the powers to stop or pause closures, or to ensure suitable alternative services were in place for affected customers.

### **The role of the FCA**

With few exceptions, respondents to the consultation were of the view that the FCA guidance on branch and ATM closures covered much of the commitments set out in the Standard. Given this overlap, the potential for the FCA to review its approach to branch and ATM closures, and the UK government's proposals to legislate to give the FCA responsibility for ensuring that customers have access to cash services, most stakeholders were of the view that the FCA should become the sole regulator responsible for the supervision of branch closures and for ensuring there is appropriate support for customers impacted by a reduction in available banking services.

While this was the case for the majority of responses, some stakeholders qualified this by suggesting that the Standard should remain in place until either the new legislation on access to cash is in place or until the FCA has reviewed its existing guidance and closed the 'gaps' that currently exist between its guidance and the Standard, with either new FCA guidance or rules.

### **The view of the LSB**

In determining our position on the future of the Standard, we have focused on two key issues. Firstly, whether or not the expectations set by the FCA provide equivalent or higher protections for customers than those provided by the commitments set out in the Standard. Secondly, whether the work of the LSB in providing independent oversight of the Standard will continue to support fairer outcomes for customers.

We are of the view that, while there are gaps between the Standard and the FCA guidance on branch and ATM closures, the regulatory approach adopted by the FCA will ensure that the expectations on firms are maintained or enhanced. This is particularly the case as, while there are some areas covered by the Standard not included in the FCA's guidance, such as in relation to reductions in opening hours or impact assessments, the FCA is able to ensure equivalent

or higher standards are achieved through supervision against its existing principles. As the FCA is supervising in the space and has the power to set expectations that go further than those in the Standard, the LSB would be supportive of the FCA introducing new rules and guidance to create clarity for all customers and firms on how firms can ensure customers are treated fairly when a branch closes.

The FCA has set out that is considering its changes to its approach to regulating branch closures and the UK government has recently consulted on plans to introduce new legislation that would give the FCA responsibility and powers for maintaining a geographical spread of access to cash services. Given the potential for significant changes to the regulatory environment, the LSB is of the view that firms should maintain their commitment to the Standard, at least until there is further clarity on the future of the regulatory landscape.

With regard to LSB oversight, it is our view that the recent FCA guidance and its supporting supervisory work, which we are aware of through our engagement with firms and the regulator, demonstrate a clear appetite from the regulator to take on responsibility for overseeing the fair treatment of customers impacted by a loss of branch services. We, therefore, are of the view that the LSB continuing to provide oversight of some aspects of the branch closure process would only have a limited, if any, benefit for consumers.

## 1.2 Recommendations and next steps

Having considered the feedback from the consultation, the changes we have seen in the regulatory environment, and the developments that have been taking place to help support customers at risk of losing access to key banking services, we are making the following recommendations to UK Finance, and the 12 signatory firms, as owners of the Standard.

### Recommendations to UK Finance

1. **We recommend that oversight of branch closures and changes in branch service provision, currently provided for through the Standard, is transitioned so that the FCA becomes the sole regulator, with firms supporting an orderly winddown of LSB oversight.** The LSB, as the oversight body for the Standard, is committed to ensuring fair customer outcomes and we will support an orderly transition to FCA oversight in a manner that ensures that there is no decrease in consumer protection during the transition process. This transition will ultimately see the LSB end our role as the oversight body for the Standard.
2. **We recommend that UK Finance and signatory firms encourage the FCA to adopt a regulatory approach that maintains or enhances the expectations on firms, currently set out in the Access to Banking Standard and supporting guidance.** In line with the findings of this report, the LSB will also share with the FCA details of areas where we feel guidance or rules for firms could be strengthened and could provide further clarity to both branch providers and their customers. We encourage firms to engage constructively with the FCA if the regulator reviews its existing guidance and if it looks to introduce further rules and guidance relating to branch closures.

3. **We recommend that signatory firms maintain their commitment to the Access to Banking Standard to ensure that customers continue to benefit from the protections it offers as oversight of branch closures is transitioned.** If further rules and guidance on branch closures are introduced which clearly set expectations on firms that are equivalent to, or go further than, those arising from the Standard, UK Finance and firms may want to assess whether there remains a value to their customers in maintaining an industry set of commitments that, in addition to FCA rules or guidance, set out how customers will be supported when they lose access to key banking services
4. **We recommend that firms support industry efforts to provide access to in-person banking alternatives that meet the needs of personal and SME customers and take steps to support customers to use digital and physical alternatives where they are available.** The LSB recognises that there are still areas where the firms could improve the support they offer to consumers and SME customers and we will, therefore, look to update our current guidance for firms to support improved outcomes for the remaining period during which the LSB will provide oversight for the Standard.

We are mindful that there is potential for the FCA to undertake further work to develop new rules and guidance which clearly set expectations on firms that are equivalent to, or go further than, those arising from the Standard and the LSB's supporting guidance. The LSB believes that the best outcome for customers will now be achieved by the FCA taking forward its work, continuing its supervisory activity, and developing further rules and guidance that align with the FCA principles and which build upon the work of industry and the LSB. This approach would reflect the consensus view from industry, consumers and SME respondents to the LSB consultation that there should be clear regulatory oversight of branch closures, with a single set of rules and/or guidance for firms to follow. We are therefore setting out the following additional recommendation for consideration by the FCA.

#### **Additional recommendation to the FCA**

5. **The LSB recommends that the FCA captures and builds on the requirements of the Standard in new rules and updated guidance.** The LSB is supportive of the work that the regulator has already undertaken in this space and is pleased that the regulator has recognised the value that the Standard has had over the past four years. We believe that the best outcome for customers will now be achieved by the FCA taking forward their work and developing rules and guidance, that capture and build upon the existing commitments in the Access to Banking Standard and the good practice set out in LSB's guidance for firms. The LSB recognises that, should the FCA look to adopt further rules or guidance, any requirements set by the FCA may differ from those in the Standard and that this would take time and require the FCA to consider how such rules or guidance could fit within its regulatory framework.

The LSB is an independent body providing oversight and governance for a range of voluntary financial services Standards and Codes. The Access to Banking Standard is an industry Standard that is overseen by the LSB and governed by UK Finance. This means that while the LSB can make independent decisions regarding the oversight and monitoring of the Standard, the recommendations made by the LSB with regard to the future of the Standard can only be implemented through cooperation with UK Finance and the industry.

If the recommendations to UK Finance are accepted, we will work closely with UK Finance and firms over the coming months as we look to agree more detailed plans. Where appropriate, we will also look to engage with the FCA on our recommendation and its work in the space.

The shape and timing of a transition and winddown of LSB oversight will be dependent on a range of regulatory, industry, and legislative developments. As such, we would anticipate the LSB's oversight of the Standard continuing into 2022 and would not expect to agree detailed timings for a winddown of LSB oversight until at least Q1 2022.

## 2. Background to the Access to Banking Standard

### 2.1 The Access to Banking Standard

[The Access to Banking Standard](#) (the Standard) is an industry agreement which aims to help minimise the impact of bank branch closures on customers and local communities. The Standard applies once the decision to close a branch has been taken. It is designed to ensure that customers affected by branch closures receive sufficient communication and clarity on the reasons for the closure, and adequate support in accessing alternative banking services.

This industry-wide agreement, which has the support of UK government, the FCA, and the main high street banks, came into effect in May 2017. The current Standard was developed in line with the recommendations proposed by Professor Russel Griggs, following his independent review of the Access to Banking Protocol which the main high street banks had been following since March 2015.

In summary, the Standard sets out a number of requirements on firms, including requirements to give customers at least 12 weeks' notice of a planned closure, to publish a pre-closure impact assessment and to ensure customers are provided with information and support to help them access alternative ways to bank ahead of the closure taking effect. Firms are also expected to engage with key stakeholders, particularly in impacted local communities, ahead of, and in the period following, a branch closure.

There are currently 12 firms signed up to the Standard:

- Barclays Bank
- Bank of Ireland
- The Co-operative Bank
- Virgin Money UK
- Danske Bank
- AIB (NI)
- HSBC UK
- Lloyds Banking Group
- Nationwide Building Society
- NatWest
- Santander UK
- TSB

UK Finance, the industry body that represents the signatory banks, is the organisation responsible for the content and development of the Standard. The LSB is responsible for monitoring the application of the Standard by firms.

### 2.2 The role of the LSB

The LSB is the primary self-regulatory body for the banking and lending industry, driving fair customer outcomes within financial services through independent oversight. Our registered firms comprise the major UK banks and lenders, credit card providers, debt collection

agencies and debt purchase firms. Adherence to our Standards of Lending Practice and the other codes of practice which sit within our remit is a clear indication that a registered firm is committed to best practice in the treatment of its personal and business customers.

The LSB took on responsibility for the independent oversight of the Access to Banking Standard when it came into effect in May 2017. At the time, we set out our view that ‘For voluntary standards to be credible they need to be independently monitored and enforced.’ We also made it clear that ‘Our approach will be to ensure firms are delivering the intended customer outcomes through the application of the new Standard.’<sup>3</sup>

Since taking on the role, the LSB has worked with all signatory firms to monitor and ensure adherence to the Standard. We have achieved this through robust reviews of the branch closure programmes undertaken by those firms which are signed up to the Standard. As the Standard applies once the decision to close a branch has been taken, the role of the LSB does not extend to approving or commenting on the banks’ decision to close branches.

The reviews of branch closures have provided the LSB with the opportunity to both ensure firms are adhering to the requirements set out in the Standard and to make recommendations to firms where improvements can be made. To capture our more detailed expectations of firms and to share best practice insight gained from our oversight activity, we have also developed guidance to support firms in the implementation and application of the Standard.

To ensure transparency of our work, the LSB publishes summaries of the key findings from the reviews of branch closure programmes undertaken. The most recent summary report was issued in July 2021. This [latest report](#), and all of the summary reports produced, can be found on our website.

As an independent oversight body, the LSB also periodically conducts full reviews of the Standards and Codes it oversees, to ensure that they remain fit for purpose. The Access to Banking Standard has been in place for over four years and, having considered the changes in the wider environment, we committed to conducting a review of it in 2021. The purpose of the review has been to understand the effectiveness of the Standard, to take account of developments across the wider regulatory landscape, and to determine whether changes to the Standard were required.

### **2.3 The wider environment**

The changes that we have seen over the past four years in retail banking continue to reflect the trends seen over the previous 20 years. Technology has enabled customers to interact with their banks in new ways. Despite the fact that online banking was only first introduced in 1997 and banking apps only introduced to the UK 10 years ago, three quarters of customers used online banking in 2020 and 6 in 10 used mobile apps for banking.<sup>4</sup> Since then, this trend

---

<sup>3</sup> [New Access to Banking Standard](#), LSB, July 2017

<sup>4</sup> Financial Lives survey, FCA, February 2021

has continued and may have been permanently accelerated by the Covid-19 pandemic, which temporarily reduced the ability of many customers to access branches.

This transition has meant that banks have had to review the way in which they deliver services to customers. The most visible impact of this has been the rapid decline in the number of high street bank branches in the UK. The number of bank branches in the UK have fallen by around 40% since 2012, a reduction of over 4,000 branches.<sup>5</sup>

While the trends we are seeing today are a continuation of what was being seen when the Access to Banking Protocol was first introduced in 2015, the fact that branches are continuing to disappear from high streets is now raising the question not just of how to support customers to access alternatives, but also of how to protect access to branches or alternatives in order to prevent key banking services being permanently lost in areas where access is still essential to consumers and SMEs.

To that end, there have been three significant developments that should be considered as important context for this review.

#### **a. The FCA’s decision to publish guidance for firms on branch and ATM closures**

In September 2020, following consultation, the FCA introduced guidance - which builds on the FCA’s Principles for Business 6, 7 and 11 - to protect consumers by setting out that firms should assess customer needs and consider the availability and provision of alternatives where closures or conversions are planned. The FCA guidance applies to all relevant regulated firms, not just those who are signatories to the Standard. The FCA has recognised, in drafting the guidance, the role of the Access to Banking Standard. For instance, stating that it will ‘consider that following the LSB’s Access to Banking Standard’s communication provisions [...] will help a firm to comply with Principle 7’.<sup>6</sup> However, with the significant areas of overlap between the FCA guidance and the Standard, it has become clear that both the FCA and LSB are now closely involved in overseeing the treatment of customers when branches are closed.

While we are concluding our review of the Standard with this report, the FCA has also put out a statement that says ‘We are considering whether we need to introduce further rules or guidance on bank branch closures to help protect reasonable access to cash and banking services. [...] We will also continue to monitor trends in cash access through our quarterly updates and will build on this to inform our approach to cash.’<sup>7</sup> The FCA’s internal work on this is ongoing and any further update would be expected in Q1 2022.<sup>8</sup> The LSB has taken this planned work into consideration when developing the recommendations from this review.

---

<sup>5</sup> [Statistics on access to cash, bank branches and ATMs](#), House of Commons Library. October 2021

<sup>6</sup> See [FG20/3](#), paragraph 2.37. The FCA’s Principle 7 sets out that ‘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’.

<sup>7</sup> [The future of access to cash](#), FCA, July 2021

<sup>8</sup> [Regulatory Initiatives Grid](#), FCA, November 2021

**b. The UK government’s commitment to introducing legislation to protect access to cash services.**

The UK government has set out proposals to protect access to cash by giving the FCA responsibilities for the monitoring and enforcing of minimum cash access requirements. The FCA’s monitoring role is expected to include the following:

- assessing cash access needs and demands for both personal and SME business customers;
- monitoring the geographic spread of cash access points across the UK on an ongoing basis, taking into account input from the Payment Systems Regulator (PSR) on ATMs;
- assessing compliance by firms with legislative and regulatory requirements on access to cash, and the commitments by some of the major UK banks to protect access to cash and key services.

While the proposal focuses on cash access needs rather than bank branches, bank branches are currently one of the key ways in which consumers and SME can withdraw and deposit cash.

**c. Recent industry commitments on access to cash and alternative banking services.**

There are currently a number of initiatives being trialled to provide customers with both access to cash and to key retail banking services. This includes trials of a new ‘Bank Hub’ solution supported by a number of large UK banks.

In addition to this, seven of the 12 firms signed up to the Standard made five commitments to continue to preserve access to cash for consumers and businesses over the long term. These firms have committed to:

- ensuring that cash will be available for those who need it, particularly SMEs, the elderly and vulnerable, when they need it;
- supporting the Community Access to Cash Pilots;
- working together to consider possible models for future access to cash which address changing access requirements and meet the needs of customers and communities;
- protecting current critical infrastructure until a viable alternative is available; and
- establishing and maintaining a framework to enable early identification of potential cash ‘cold spots’.<sup>9</sup>

In August 2021, the Access to Cash Action Group – a group of senior representatives from across the banking industry and consumer organisations that are working to develop a sustainable model for the future to protect access to cash - announced the extension of

---

<sup>9</sup> For more details see: [Banking industry commits to supporting customers who depend on cash](#), UK Finance, May 2021

shared Bank Hub pilots through until April 2023, and the rapid rollout of ‘cashback without purchase’ to thousands of smaller shops.<sup>10</sup>

All three of these developments not only speak to the increasing attention on protecting access to key banking services, but also to the fact that the key focus in terms of ensuring good outcomes for customers can no longer just be about supporting customers to use alternatives. There also needs to be a focus on both supporting customers to use digital and physical alternatives and on ensuring a minimum level of suitable face to face banking services are available for those that need access to them.

---

<sup>10</sup> For more details see: [Banking industry takes further steps to protect access to cash](#), UK Finance, August 2021

### 3. The Method and Approach

The Access to Banking Standard Review has been undertaken by the LSB as an independent organisation responsible for overseeing firms' adherence to the Standard.

The objective of the review has been to determine whether the Standard remains an effective means of achieving fair outcomes for customers impacted by a branch closure or reduction in access to key banking services. Through the review we have considered whether changes are needed to the Standard, to its governance and oversight, or to the wider regulatory environment, to help ensure fair outcomes for customers affected by a loss of bank branch services.

#### 3.1 The consultation process

Given the breadth of activity relating to access to banking – including changes in the ways customers are accessing banking services, a range of activity across the regulatory and legislative landscape, and efforts by consumer and small business organisations to protect access to cash and retail banking services – we included in this review a consultation which sought views and evidence on:

- Whether the Standard, as has been **implemented**, seeks the right outcomes for customers and whether it is effective in achieving fair outcomes for consumers and SMEs impacted by branch closures, or a reduction in the availability of key banking services.
- Whether, as a result of **changes in the provision and use of banking services**, any amendments to the Standard, the scope and objectives, or the governance and oversight of it, could help improve outcomes for customers impacted by branch closures or a reduction in the availability of key banking services.
- Whether **changes to the regulatory environment**, such as the publication of the FCA guidance on branch closures (FG20/3) and the planned legislation on access to cash, mean there need to be changes to the current Standard. This included consideration of whether there is still a benefit to having an industry agreement on access to banking.

In total, 16 organisations or individuals responded to the LSB consultation. These included four consumer charities or representative organisations, three organisations representing SMEs or those that work in industries other than retail banking, five banks, one financial services industry body and three other interested stakeholders. The views of respondents are summarised in section 4 of this report.

Throughout the review process, we have drawn on insight gained through our oversight activity, our engagement with relevant industry, consumer and SME representatives, our engagement with government and regulatory stakeholders, and a range of available evidence regarding changes in the way customers use banking services in the UK.

### 3.2 LSB oversight

Since the review started, the LSB has also published a further [summary report](#) setting out an overview of the work that has been undertaken by the LSB and a summary of the findings from the firm-level reviews undertaken between August 2019 to March 2021.

This latest review did not identify any high-risk or firm-wide systemic failings, and there were no areas or examples of non-adherence to the Standard. We did, however, identify areas for improvement, some of which are recurring themes when compared to our 2020 report. These findings included:

- Some firms having a lack of controls for notifying the LSB of closure programmes; inadequate oversight of closure programmes; and governance frameworks lacking formal documentation.
- Some firms could have improved the accessibility of their branch closure Impact Assessments, both online and in branches. In addition, in a small number of instances, some key information had been omitted from IAs, therefore limiting customers' ability to understand the firm's procedures and reasons for the branch closure.
- In terms of engaging with other (non-customer) stakeholders who may benefit from understanding more about a branch closure, there were some inconsistencies in the content of communications. Information was not always tailored to the actual closing branch but was provided at a generic firm-wide level and there was sometimes a lack of detailed feedback for the post announcement, pre closure updates and a lack of reasoning for the closures when communicating with stakeholders.
- Finally, although a number of improvements have been seen with regard to support for vulnerable customers, identification of and support for vulnerable customers continues to be an area of inconsistency and one that requires further work due to the associated impact on key customer outcomes.

These reports build on two further [summary reports](#) published in September 2018 and February 2020. The findings from these summary reports, and our ongoing oversight of closure programmes, have also fed into the work of this review and have been considered as we have developed recommendations.

### 3.3 Findings of the review

The LSB is an independent body providing oversight and governance for a range of voluntary financial services Standards and Codes. The Access to Banking Standard is an industry Standard that is overseen by the LSB and governed by UK Finance. This means that while the LSB can make independent decisions regarding the oversight and monitoring of the Standard, the finding of the review and the recommendations made by the LSB with regard to the future of the Standard can only be implemented through cooperation with UK Finance and signatory firms.

The following sections of the report set out in more detail the findings of the review and the responses to the consultation, the position of the LSB on key issues raised, and the conclusions and recommendations the LSB is making, having completed the review.

## 4. Feedback and findings

This section of the report sets out in more detail the feedback we received through the consultation process. For each of the substantial issues raised, we have drawn on our engagement with stakeholders, our insight, and our compliance work in providing a response. The LSB's position also provides the basis for the recommendations made in the following section of the report.

### 4.1 Implementation and the effectiveness of the Standard

One of the key focuses of the review has been on whether the Standard is clear, whether the implementation of the Standard has been effective in achieving its aims, and whether the guidance and oversight provided by the LSB has been beneficial.

There was a general view from most respondents, including industry and consumer representatives, that the objective of the Standard was clear and that, in principle, the Standard has provided a benefit to consumers by encouraging or ensuring better communications and support for customers where the branches of signatory banks have closed or seen hours significantly reduced.

While this was the case, the feedback on whether the Standard has been effective, whether it continues to represent the most effective way of ensuring customers are treated fairly when there is a loss of branch services, and whether the role of the LSB in providing oversight is beneficial, was varied.

#### a. Effectiveness

In general, the industry respondents to the consultation were supportive of the approach set out in the Standard. Respondents highlighted that a principles approach to supporting customers was appropriate and that the Standard, as implemented, had allowed the industry to work together to develop best practice and to improve communications and support customers.

A financial services industry body wrote that 'The existence of common standards encourages banks to improve processes and as such the Standard has driven improvements in the consistency of participating banks' approaches to informing customers and therefore minimising the impact to customers.'

Consumer representatives, while recognising the good intentions behind the Standard, generally questioned how effective the Standard could be given that it does not give consumers or SMEs a right to be consulted with prior to a closure decision and that the LSB, as the oversight body, does not have any powers to prevent a loss of services. One respondent suggested 'that a mechanism should exist where consumers can challenge the closure of a branch or ATM or register their dissatisfaction with the process that firms go through.'

A number of consumer representatives also pointed to the extent of branch closures experienced by customers over recent years to highlight the limited impact of the Standard. While the Standard sets out the information and support that should be provided to

customers, the Standard does not and cannot currently protect customers from some of the challenges created for them when there is a branch closure. Even where branches close and alternatives are currently available, neither the Standard nor firms provide a guarantee that alternative access to services will remain available.

A consumer organisation wrote that ‘As branches close, people have to travel further and further distances to access one, and the impact can be particularly significant when the branch that closes is the last in a community. As the Standard does not currently look at the decision to close a branch, there is no guarantee that even if a bank closes a branch and informs customers of alternative branches they can visit, as per the Standard, the alternative branches will remain open for a significant period of time.’

A range of respondents also highlighted the current lack of focus on the needs of SME customers and suggested that, in order for the Standard to be effective, further reference to and consideration for SME customers was needed to ensure access to key services was protected.

A consumer organisation set out that ‘For small businesses it is vital that they can easily access local deposit-taking facilities to deposit the takings from their businesses. These facilities need to be secure and ensure privacy to protect businesses from potential theft.’

Some respondents also questioned whether the Standard could be more effective in supporting access to alternative banking services. In particular, respondents highlighted that more could be done to support awareness and use of Post Office services.

### **The view of the LSB**

While the objective of the Standard is broadly clear, a number of non-industry respondents commented on the volume of closures that have taken place over recent years and the failure of the Standard to prevent the loss of access to services. We understand that a key concern for bank customers is loss of local access to essential services when there is a decision by a firm to close a branch or reduce access to services.

While the Standard is designed to help ensure customers are supported to access alternatives when a branch closes, it is not a commitment from the industry to maintain a minimum level of in-person service provision. Decisions regarding branch closures or changes in the availability of banking services are commercial decisions and do not sit within the scope of the Standard or the oversight of the LSB. Any new commitments on minimum coverage would have wider implications and would need to be led by, or have the support of, government and regulators.

With regard for the needs of SMEs, we acknowledge that while the Standard does cover personal and business customers, the current approach set out in the Standard and supporting guidance does not give sufficient attention to the needs of business customers. It is, therefore, an area that should be given further consideration by industry and those responsible for the oversight of branch closures. It is also an area where we will look to strengthen our own guidance to firms signed up to the Standard.

Regarding support for the Post Office, while the Standard includes commitments from banks to inform customers about, and to support customers to use, alternative services, it does not explicitly call out the Post Office as a provider. Our guidance does provide more detail on what the LSB expects of firms but, given the introduction of the Post Office Framework Agreement, it seems appropriate that firms take clear steps through their closure programmes to promote the availability of, and to support customers to use, the transactional services offered via the Post Office, where they can be considered a suitable alternative. Similarly, we would expect firms to take steps to promote the availability of other locally available banking alternatives, such as bank hubs.

As industry continues to explore alternatives, such as banking hubs, it would be also appropriate for commitments, guidance, or rules to be updated to reflect best practice.

## **b. Impacted customers**

A further area explored through the consultation was whether the Standard was effective in ensuring customers impacted by branch closures were getting the information and support they need.

One respondent pointed to a recent Which? survey that 'found that just over half (53%) of members surveyed had been proactively informed about their local branch closing, and half (48%) of those who had not been informed only found out after the branch had closed. The research also discovered that 55% had never heard of the impact assessment that banks have to provide.'<sup>11</sup>

This finding resonates with the overall findings of our oversight work. Our most recent summary report on the Standard highlighted that the accessibility of impact assessments and information about branch closures could be improved.

Consumer representatives also suggested the LSB should undertake more direct consumer research to determine whether the Standard has been effective in supporting fair outcomes for impacted customers.

In the consultation we also asked for views on whether the current minimum industry definition of an 'impacted customer' was appropriate and whether it should be included in the Standard.

The current industry minimum definition of an Impacted Customer is:

*Any customer who undertakes three monetary transactions within the impacted branch on three separate occasions in the preceding six months are in scope of the Standard and therefore should receive 12 weeks' notice of the change.*

UK Finance led the work to develop the definition, which is captured in our guidance, prior to the start of the pandemic. Firms are expected to use the definition, as a minimum, when

---

<sup>11</sup> [Are banks playing fair when closing the last branch in town?](#), Which?, July 2020

applying the Standard to ensure that firms communicate with the customers most impacted by a closure or reduction in branch opening hours.

Taking into consideration the impact of the pandemic on customer footfall since March 2020, and the associated government guidance around essential travel, a number of firms broadened their approach to defining impacted customers, reducing the minimum number of monetary transactions made in the required period, and some extending the required timeframe, so this was longer than the minimum defined period. This allowed a wider cohort of customers to be advised of the closure, including those who may not have visited the branch as much as usual due to self-isolation. This approach was also helpful for those customers who only visit sporadically due to the nature of their banking relationship, such as savings account customers.

Some firms and consumer groups supported having a clear definition of an impacted customer included as part of the Standard or within any updated FCA guidance on branch closures, to provide a consistent approach across industry.

In addition, there were four areas highlighted where it was felt the definition of an impacted customer could be improved:

- Some respondents suggested that the existing timeframe should be extended beyond six months, potentially to 12 months, to take account of trends that are seeing customers use branches less frequently.
- Some respondents also suggested that any definition should consider customers who use branches for non-transactional services, in addition to the transactions currently in scope, as these non-transactional services, such as ID checking, opening and closing accounts, and getting advice on products like mortgages, cannot be accessed through alternatives, such as the Post Office or ATMs, which provide limited transactional services.
- A number of respondents highlighted the importance of SME customers. One respondent suggested a minimum definition should include specific reference to SME customers.
- Some respondents also suggested there should be further clarity on how the definition could take account of existing industry definitions of vulnerability and the FCA's guidance for firms on the fair treatment of vulnerable customers ([FG21/1](#)).

### **The view of the LSB**

The commitments in the Standard were developed through a review process which involved consumer engagement and, while we have not undertaken direct consumer research to understand the impact of the Standard on consumers, our oversight of the Standard has involved 'mystery shopping' to ensure firms have been complying with the commitments set out in the Standard.

With regard to the definition of a ‘impacted customer’, we were supportive of the industry agreement, which represents an agreed minimum definition. We are of the view that is appropriate for firms to revisit the existing definition with a view to broadening firms understanding of customers impacted by a loss of branch services, and to improving reporting of branch use as part of the process of removing or reducing banking services.

Any work to revisit this definition or to further define expectations around assessing the needs of customers impacted by a closure or loss of services should be done with the support of the FCA. As this will help to ensure there is a consistent understanding between firms and the regulator of which customers need information and support when a branch is closing or access to key services is being reduced.

### c. LSB guidance and oversight

The final area of focus in relation to the implementation of the current Standard, was the role of the LSB, our oversight and our guidance. Generally, respondents welcomed our work and the guidance we have issued.

Our decision to develop guidance for the Standard was taken, in part, to provide further clarity on how the Standard, as drafted, should be implemented by firms. It also provided an opportunity for the LSB to highlight best practice approaches and to address some gaps or issues that had been identified through our oversight activity. The [industry guidance](#), published in October 2020, provides non-exhaustive examples of the approach to Access to Banking that registered firms may wish to take into consideration when seeking to adhere to the Standard.

Industry respondents suggested that, if the Standard remained, it ‘would be beneficial for any formal expectations to be incorporated into the Standard in order to provide clarity on the difference between recommendation and requirement.’ This reflected a view that the LSB had used the guidance in a prescriptive manner when overseeing closure programmes. It also reflected a more general view that firms want expectations, from the LSB and/or the FCA, to be clearer. One area where firms particularly wanted further clarity was around expectations in relation to vulnerability and the support firms are expected to give to help customers access and use alternative services.

Consumer groups suggested the LSB’s oversight could be more effective if we looked to demonstrate good outcomes, for instance by conducting further research or by publishing actions the LSB has taken.

A consumer organisation wrote that ‘We would expect the independent oversight of the industry standard by the LSB will provide an element of confidence for stakeholders. However, we have not seen evidence to demonstrate that firms are providing appropriate support to customers.’

Some consumer groups and industry responses also highlighted that the voluntary initiative was limited by the fact that LSB’s oversight is confined to the 12 signatory banks or building

societies. This means that some customers do not benefit from the protections of the Standard, particularly in Northern Ireland where it is estimated only 7 in 10 customers have their primary accounts with a bank signed up to the Standard.<sup>12</sup>

In addition, both industry and consumer respondents suggested that oversight should be extended to cover the removal or reduction of key services provided by non-bank providers of services, such as the Post Office and ATM providers.

### **The view of the LSB**

We have provided robust oversight and published regular summary reports on the findings from our reviews of branch closure programmes. The reviews reflect the recommendations that we have made to firms and the improvements we have seen in firms' approaches to supporting customers through closures.

While our work has seen firms take further steps to support customers and to develop new industry best practice, we are of the view that, given the FCA is supervising the treatment of customers when branches are closing and that HM Treasury has consulted on giving the FCA powers relating to cash provision, it is appropriate that the FCA becomes the sole body responsible for oversight of branch service provision. This is particularly the case as the duplication of oversight is leading to some uncertainty for firms and some confusion for non-industry participants as to what the expectations on firms closing branches are.

As part of that transition, we are open to working with industry and the FCA to determine whether there remains a benefit for customers in retaining the Standard or any relevant industry commitments once oversight from the LSB has ceased.

With regard to expanding industry commitments and oversight to cover non-bank providers, such as the Post Office and ATM providers, we are of the view that it is unlikely that such a change in scope would bring about improvements for consumers. The Post Office is already subject to minimum access criteria and committed to the provision of banking services through the Post Office Banking Framework Agreement.<sup>13</sup> With regard to ATMs, LINK, the main UK ATM network provider, has made several commitments on the provision of free-to-use ATMs and is subject to oversight by the Payment Systems Regulator (PSR).<sup>14</sup> In addition, it is expected that the FCA will shortly be given a role in ensuring that there is a minimum level of cash access available across the UK.

---

<sup>12</sup> Estimate provided by Consumer Council NI based on data from November 2020

<sup>13</sup> For further details see: [The Post Office](#), House of Commons Library, October 2021

<sup>14</sup> For the latest on the PSR's work on this see: [Access to cash](#), PSR, July 2021

## 4.2 The impact of changes in the provision and use of banking services

As part of the review, we asked for views on the changes we are seeing in the provision and use of banking services, and whether this should result in changes to the Standard or in guidance to firms given when closing branches or reducing access to services.

A number of respondents highlighted the extent of branch closures and the impact of closures on customers, both consumers and SMEs. Particular attention was drawn to the issues of access, particularly to cash, in rural areas and for vulnerable customers.

The variation between regions and urban and rural areas is significant. One respondent highlighted that ‘68.4% of NI consumers have a cash access of some kind within 1 km of their home. This is considerably lower than the UK average of 88.7%’ and that ‘rural areas are worst off for access, with just under 30% of NI consumers in rural areas having access within 1 km, compared to 91.4% in urban areas [and] the rural figure for the UK which shows that 54.7% have a means of accessing cash within a km of home.’<sup>15</sup>

Respondents highlighted that the LSB’s inability to prevent closures and the Standard’s lack of commitment on geographical spread means that it is not an effective tool for addressing this divide.

### a. The Post Office and alternatives

There was a general view held by respondents that the Standard, if kept in place, could evolve to support and acknowledge the greater range of ways which customers can now access banking services. A particular emphasis was given to the importance and role of the Post Office in providing transactional banking services. Respondents called for the scope of the Standard to be widened to include alternative providers such as the Post Office. Some also wanted to see commitments from firms to provide support to these services.

One stakeholder described an ‘opportunity for the Standard to provide greater reassurance on possible alternatives for consumers and SMEs in the event of a reduction in local banking services.’ This was a view echoed by firms, with some suggesting that the scope of the Standard and its signatories could be broadened to ensure consumers are treated fairly when changes are made to other cash and banking services, such as the Post Office, ATMs and third-party providers of cash or counter services.

The role of the Post Office was also cited by consumer and SME groups as vital in its collaborative role with local businesses. One SME organisation wrote that ‘the notification process should uniformly make retailers aware of alternate banking services locally, and, where a convenience retailer also hosts Post Office services, be drafted in collaboration with that retailer for local businesses. Long-term support for the Post Office Banking Framework will be critical to upholding the Standard given the emphasis on Post Offices.’

---

<sup>15</sup> [Access to cash coverage in the UK 2021 Q1](#), FCA, July 2021

It was noted by respondents that it is also important to recognise that the Post Office offering is limited to certain services and that they should not be considered a like for like replacement for a bank branch.

Many consumer and industry respondents were of the view that there is also an opportunity for the Standard to capture within its scope the different ways of banking provided by firms and to acknowledge that there are a range of ways customers can be supported in communities other than through brick and mortar branches.

Our current industry guidance sets out that, when considering which closures fall within the scope of the Standard, firms may wish to consider (in addition to the traditional ‘bricks and mortar’ style of branch), other styles of face to face banking facilities. These could include branches without a counter service, mobile branches with fixed routes and stops and regular banking facilities and activities that are provided within other premises, such as in community branches. Firms should also consider the extent to which other material changes may impact a customer’s ability to continue to bank, such as the following:

- Branch relocations;
- Temporary closures;
- Branch mergers;
- Mergers with another firm; and removal of a counter or automated service.

Firms should also assess the impact of such changes on customers, particularly those who are considered vulnerable, and should use such assessments as the basis for determining whether the change is significant enough to be treated in accordance with the Standard.

Industry respondents suggested that, if retained, consideration should be given to including ‘collective industry initiatives that can support branch closures and should be focused on the consideration given to banking alternatives available to mitigate financial exclusion.’ This view was repeated by consumer groups.

In addition to the Post Office, such methods include the use of bank hubs. The Access to Cash Action Group (CAG) and the Community Access to Cash Pilots Scheme, which are aiding the development of digital services and bank hubs, will continue provide evidence-based insight into consumer needs and behaviour that will help determine the role of new services in the future. Any future commitments from industry or FCA regulation should take into account the findings of the group and should support the innovations where they may help protect access to key services and support fair outcomes for customers.

#### **b. Vulnerable customers**

Also mentioned by respondents was the need for greater consideration to be given to vulnerable customers, who will be disproportionately affected by branch closures.

Feedback on vulnerability often focused on how firms can properly support customers who may be vulnerable to access alternatives that are suitable and provide an appropriate level of access to in-person support.

In particular, respondents wanted further clarity on how the commitments in the Standard are, or should be, aligned with the FCA guidance on the fair treatment of vulnerable customers. Views were often qualified by an overarching recommendation that the FCA should take on responsibility for ensure access to services, in particular cash services.

One clear focus from consumer groups was on actions taken by firms to mitigate the impact on customers prior to a closure. These included requiring firms to demonstrate to customers those alternatives were in place and requiring consultations to be held before closures occur. One respondent highlighted that ‘branch closure information should be more easily accessible on websites as well as shared via email and include planned mitigations.’ This request is in line with the recent conclusion shared in our most recent summary report, that in some cases more should be done to promote the availability of the impact assessment, which includes details of the closure and the alternative services available to customers.

### **c. Support for SME customers**

Several respondents wanted more done to provide support for SMEs when branches were closing or reducing services. Generally, respondents called for more tailored communication and support that reflected the needs of SMEs to be considered within both the Standard and the LSB’s supporting guidance. One industry respondent set out that ‘the Standard, if retained, should make a distinction between personal customers and SMEs as these may have different banking alternatives available to them.’

A similar view was highlighted by an SME respondent who suggested that ‘[A] notification process should uniformly make retailers aware of alternate banking services locally, and, where a convenience retailer also hosts Post Office services, be drafted in collaboration with that retailer for local businesses.’

While our oversight work has found that communications are typically tailored to customer type (i.e. personal and business), issued to impacted customers by either letter or email, and also available externally both on a firm’s website and in the closing branch, there were areas where firms could do more to support SME customers, such as working with businesses to ensure they have access to, and information and support on how to use, alternative cash services.

This reflects both good practice identified through our oversight work, and the views of the range of respondents that highlighted the importance to SMEs of access to cash services, in particular depositing services. One respondent set out that ‘the need to protect the full cash cycle – both withdrawals *and* deposits – must be stressed.’

### **The view of the LSB**

We are of the view that there is potential for the industry to make improvements to its commitments on access to banking to:

- make clearer commitments to supporting vulnerable customers
- make clearer commitments to supporting local businesses
- improve commitments on supporting access to alternative services
- alter or enhance the scope to cover a range of issues that currently sit within our guidance, such as changes to in-branch services and mobile services.

Taking into account the wider set of recommendations and the rapidly changing regulatory environment, we are not intending to recommend changes to the Standard at this point in time. We are of the view, however, that there would be a benefit in both ensuring that our guidance on the Access to Banking Standard is updated to reflect best practice and encouraging the FCA to take these issues into account as it considers updating guidance or making new rules on bank branch closures.

The LSB is also aware that the Access to Cash Action Group (CAG) is continuing work to develop a sustainable model for the future to protect access to cash. The LSB recognises that innovation in the way physical banking services are delivered to customers, such as the development of shared banking hubs, may help protect access to key services where communities are otherwise likely to be significantly impacted by a branch closure. Any changes to, or new, industry commitments or FCA rules and guidance should take into account the findings from the bank hub pilots and the recommendations of the CAG expected late in 2021.

### **4.3 The impact of changes in regulation and dual LSB and FCA oversight**

The final section of the consultation asked for views on the impact of the FCA publishing and supervising against new guidance on branch closures, and on the potential impact of ongoing legislative and regulatory changes around access to cash.

Overwhelmingly, responses to the consultation highlighted the duplication between the Standard and the FCA's guidance on branch and ATM closures and conversions. Respondents suggested that, given the expanded role of the FCA in this space, it would be appropriate for the FCA to become solely responsible for the oversight of bank branch closures, and the communications and support offered to consumers.

Respondents generally noted that the approach meant firms were having to use additional resource which could be better deployed and that there was the potential for confusion to arise for firms and customers should gaps continue to exist between the Standard and the FCA guidance.

One consumer respondent summarised many of the views shared with us on this point, writing that 'To ensure a holistic approach, provide clarity to both consumers and firms, and

make implementation, monitoring and reporting easier, [there should be] a single set of guidance which would combine the scope, content and ambitions of both the FCA and LSB guidance. It should be overseen by the FCA and include banks, building societies and ATMs in scope.'

Firms and other respondents suggested that any gaps should be addressed, preferably through a revision of FCA guidance or the introduction of new FCA rules, and that there should be a smooth transition to FCA oversight in this space.

An industry representative body set out that the best outcome could be 'achieved by FCA guidance superseding the Standard with FCA guidance being amended to capture any significant elements on the Standard not currently within scope. This would ensure all firms are subject to a single set of obligations in relation to branch closures, whilst ensuring the customer protections provided under the Standard are maintained once it has been discontinued.'

In addition, a number of respondents highlighted that the UK government has committed to introducing new legislation, and consulted on giving the FCA new powers, to protect access to cash. Respondents were of the view that the LSB should support that approach, but that there would be a benefit to keeping the Standard in place until legislation and FCA rules and guidance were clearly in place.

An industry stakeholder wrote that 'Given the Government's view, stated in the HMT consultation paper, that 'the FCA should be the lead regulator for monitoring and enforcing requirements on access to cash', there is a unique opportunity emerging to introduce legislation providing greater powers to the FCA. This, in turn, presents an opportunity for the LSB to 'pass the baton' to the FCA, so to speak. To be clear, the LSB's role, and firms' conformance to the Standard, remains useful to an extent in the absence of this legislation.'

A consumer organisation set out that 'we recognise there is a changing regulatory environment with regards to access to cash, and this raises questions about the continuation of the industry agreement. We remain of the view that, in the absence of the ability to compel all firms to join the voluntary standard [...] there is an urgent requirement for government legislation to protect access to cash. This needs to be put in place as soon as possible. Ahead of that being put in place, it would seem premature to remove the standard.'

### **The view of the LSB**

We are of the view that, in any review of the FCA's guidance or regulatory approach to branch closures, the regulator should look to close the few gaps that exist between its guidance on branch and ATM closures and the Standard and set out any additional expectations on firms in new guidance or rules.

The FCA has said that it is ‘considering whether [they] need to introduce further rules or guidance on bank branch closures’<sup>16</sup> and that any further update would be expected in Q1 2022.<sup>17</sup> The LSB recognises that the existing FCA guidance and supporting supervisory approach allows the regulator to go further than the minimum commitments in the Standard. This is particularly the case as, while there are some areas covered by the Standard where the FCA has not set out within guidance its expectations on firms, such as in relation to reductions in opening hours or impact assessments. The FCA has the ability to supervise against its principles to ensure equivalent or higher standards are achieved by firms removing or reducing the availability of branch services.

Given the FCA is now supervising in this space and has the power to set expectations that go further than those in the Standard, the LSB would be supportive of the FCA introducing new rules and guidance to create clarity for all customers and firms on how firms can ensure customers are treated fairly when a branch closes.

Depending on the approach taken by the FCA, including the scope of any new rules and guidance, the value provided by the Standard as a standalone industry commitment may be diminished to the point at which it is no longer necessary.

However, in the absence of any new FCA rules or revised guidance, there may remain an important role for an industry commitment which sets out clear and accessible standards on how firms support their customers when reducing in-person access to services.

To that end, we are recommending that signatory firms remain committed to the Standard, at least until it is clear that FCA rules, guidance and/or supervisory work provide for equivalent or improved protections and outcomes for customers. Even with new FCA rules or guidance in place, there may be a benefit to firms continuing to clearly set out their commitments to customers in an accessible form, similar to the [mutual commitment](#) that currently exists for the Standard.

Given the expectation of continued FCA supervision, and the likelihood of its work in this space continuing alongside a new role for the FCA on access to cash, we are of the view that the independent oversight of the Standard provided by the LSB will have a limited benefit to customers. We are, therefore, also recommending that we work with firms to determine an appropriate winddown of LSB oversight to ensure a smooth transition that gives us and key stakeholders the confidence that good consumer outcomes will continue to be protected.

---

<sup>16</sup> [The future of access to cash](#), FCA, July 2021

<sup>17</sup> [Regulatory Initiatives Grid](#), FCA, November 2021

## 5. Conclusions and recommendations

While there was a range of positive feedback and suggestions for improvement regarding the Standard and while the LSB is seen as having an established role in this area, the overwhelming view from respondents to our consultation was that the FCA should take on the role of overseeing the treatment of customers when a bank branch closes or access to key services is reduced.

It is our view that the recent FCA guidance and supervisory work demonstrate a clear appetite from the regulator to maintain their role in providing oversight of branch services and the fair treatment of customers when access to branch services is reduced. The UK government is also looking to introduce new legislation that would give the FCA responsibility and powers for maintaining a geographical spread of access to cash services. This will likely mean that access to core transactional banking services will remain a key focus for the regulator.

We agree that the LSB continuing to provide oversight of some aspects of the branch closure process could mean a duplication of oversight for firms. Given the need for firms to prioritise FCA rules and guidance, it is likely that any continuation of LSB oversight would only have a limited, if any, benefit for customers.

In addition, the LSB's active approach to supervision, the publication of summary reports, and the development of guidance could create confusion as diverging views between ourselves and the FCA on what good outcomes for customers look like may materialise. While this could be managed, it would be resource intensive and without a clear benefit for customers.

We will therefore of the view that the LSB should look to winddown its role as the oversight body for the Access to Banking Standard and to work to support a transition to the FCA being the sole regulator overseeing the branch closure process.

To support a transition which would see the FCA become the sole body providing oversight, we have developed four recommendations for UK Finance and firms. These recommendations aim to ensure that firms remain committed to everything currently under the Standard and to make sure that the views shared with the LSB through this review feed into further regulatory developments, particularly if the FCA reviews its current guidance. In line with the finding of the review and our recommendations to UK Finance, the LSB has included an additional recommendation for consideration by the FCA.

To ensure there is no decrease in protection for customers, the LSB is recommending to UK Finance that signatory firms should maintain their commitment to the Access to Banking Standard, and subject to independent oversight, throughout any transition.

With regard to the future of the Standard, we are of the view that UK Finance and signatory firms should revisit their commitment to an independent industry Standard once it is clear that the expectations on firms set out in the current commitments have been superseded, or enhanced, by the expectations set by the FCA through any supervisory activity, rules or guidance. We recognise that, even with the FCA rules or guidance in place, there may be a benefit to firms continuing to clearly set out industry commitments to customers, so consumers, SMEs and key stakeholders can easily know what to expect from firms when they close a branch or reduce access to key services.

## 5.1 Recommendations

Having considered the feedback from the consultation, the changes we have seen in the regulatory environment, and the developments that have been taking place to help support customers at risk of losing access to key banking services, we are making the following recommendations to UK Finance, and the 12 signatory firms, as owners of the Standard.

### Recommendations to UK Finance

1. **We recommend that oversight of branch closures and changes in branch service provision, currently provided for through the Standard, is transitioned so that the FCA becomes the sole regulator, with firms supporting an orderly winddown of LSB oversight.** The LSB, as the oversight body for the Standard, is committed to ensuring fair customer outcomes and we will support an orderly transition to FCA oversight in a manner that ensures that there is no decrease in consumer protection during the transition process. This transition will ultimately see the LSB end our role as the oversight body for the Standard.
2. **We recommend that UK Finance and signatory firms encourage the FCA to adopt a regulatory approach that maintains or enhances the expectations on firms, currently set out in the Access to Banking Standard and supporting guidance.** In line with the findings of this report, and our recommendation to the FCA below, the LSB will also share with the FCA details of areas where we feel guidance or rules for firms could be strengthened and could provide further clarity to both branch providers and their customers. We encourage firms to engage constructively with the FCA if the regulator reviews its existing guidance and if it looks to introduce further rules and guidance relating to branch closures.
3. **We recommend that signatory firms maintain their commitment to the Access to Banking Standard to ensure that customers continue to benefit from the protections it offers as oversight of branch closures is transitioned.** If further rules and guidance on branch closures are introduced which clearly set expectations on firms that are equivalent to, or go further than, those arising from the Standard, UK Finance and firms may want to assess whether there remains a value to their customers in maintaining an industry set of commitments that, in addition to FCA rules or guidance, set out how customers will be supported when they lose access to key banking services.
4. **We recommend that firms support industry efforts to provide access to in-person banking alternatives that meet the needs of personal and SME customers and take steps to support customers to use digital and physical alternatives where they are available.** The LSB recognises that there are still areas where the firms could improve the support they offer to consumers and SME customers and we will, therefore, look to update our current guidance for firms to support improved outcomes for the remaining period during which the LSB will provide oversight for the Standard.

We are keen to ensure that, even as we winddown our oversight of the Standard, there remains a high level of protection for consumers and SMEs impacted by a loss of bank branch services. We also think that is important that there are clear and consistent expectations on firm closing branches or removing access to services, so that customers and relevant stakeholders are aware of what information, support or communications they can expect to receive from branch providers when there is a closure or significant change in service provision announced.

To that end, we will look to engage with the FCA on the findings of this review and will encourage the FCA to take into account the feedback received from stakeholders through the review of the Standard.

We are mindful that there is potential for the FCA to undertake further work to develop new rules and guidance which clearly set expectations on firms that are equivalent to, or go further than, those arising from the Standard and the LSB's supporting guidance. The LSB is supportive of the work that the regulator has already undertaken in this space and is pleased that the regulator has recognised the value that the Standard has had over the past four years.

We believe that the best outcome for customers will now be achieved by the FCA taking forward its work, continuing its supervisory activity, and developing further rules and guidance that align with the FCA principles and which build upon the work of industry and the LSB. This approach would reflect the consensus view from industry, consumers and SME respondents to the LSB consultation, that there should be clear regulatory oversight of branch closures, with a single set of rules and/or guidance for firms to follow. We are therefore setting out the following additional recommendation for consideration by the FCA.

#### **Additional recommendation to the FCA**

- 5. The LSB recommends that the FCA captures and builds on the requirements of the Standard in new rules and updated guidance.** The LSB is supportive of the work that the regulator has already undertaken in this space and is pleased that the regulator has recognised the value that the Standard has had over the past four years. We believe that the best outcome for customers will now be achieved by the FCA taking forward their work and developing rules and guidance that capture and build upon the existing commitments in the Access to Banking Standard and the good practice set out in LSB's guidance for firms. The LSB recognises that, should the FCA look to adopt further rules or guidance, any requirements set by the FCA may differ from those in the Standard and that this would take time and require the FCA to consider how such rules or guidance could fit within its regulatory framework.

In line with the findings of this review, as part of ongoing FCA supervisory work and in any further consultations on guidance or rule changes, the regulator may also wish to consider the following:

- Clarifying expectations for firms with regard to the treatment of customers who may be vulnerable to the effects of a branch closure or changes in service provision.
- Providing clarity, preferably through rules or guidance, on the level and/or type of engagement and support firms should have with alternative providers of services, such as the Post Office, once a branch closure or significant change in service provision has been decided.
- Strengthening, through rules or guidance if necessary, the current industry approach to understanding and engaging with ‘impacted customers’. This is particularly important for less frequent users of branches and of those customers who may be using branches to access non-transactional services.
- Providing clarity to firms, potential through guidance, on how to support the specific needs of SME customers.

## 5.2 Next steps

The Access to Banking Standard Review 2021 has taken place during a period of regulatory and industry led change and the recommendations that we have made are being put forward with the expectation that the FCA and the industry will continue with its respective work to maintain and improve protection for customers who are negatively impacted by the loss of key banking services. We are confident that the introduction of FCA oversight seen over the past year will help ensure the maintenance or enhancement of fair customer outcomes when key branch services are removed. Throughout the winddown of LSB oversight, and wider work with our registered firms, the LSB will continue to help ensure that the UK keeps customers at the front and centre of the transition to a more digital future for banking.

The LSB is an independent body providing oversight and governance for a range of voluntary financial services Standards and Codes. The Access to Banking Standard is an industry Standard that is overseen by the LSB and governed by UK Finance. This means that while the LSB can make independent decisions regarding the oversight and monitoring of the Standard, the recommendations made by the LSB with regard to the future of the Standard can only be implemented through cooperation with UK Finance.

If the recommendations to UK Finance are accepted, we will work closely with UK Finance and firms over the coming months as we look to agree more detailed plans. Where appropriate, we will also look to engage with the FCA on our additional recommendation and on our respective work in the space.

The shape and timing of a transition and winddown of LSB oversight will be dependent on a range of regulatory, industry, and legislative developments. As such, we would anticipate the LSB’s oversight of the Standard continuing into 2022 and would not expect to agree detailed timings for a winddown of LSB oversight until at least Q1 2022.