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25 July 2022

By email: gc22-02@fca.org.uk

Dear Sir / Madam,

Financial Services Consumer Panel response to Financial Conduct Authority GC22/02 guidance consultation on bank branch and ATM closures and conversions

The Panel welcomes GC22-02, which updates and strengthens the FCA's previous guidance and encourages firms to think proactively about consumer outcomes by taking into account real consumer needs, experiences and behaviour.

The Panel has provided regular feedback to the FCA regarding future guidance on bank branch closures and we are pleased to see that some of our prior recommendations have been considered in the proposals under consultation, particularly in relation to:

- Building on the Lending Standards Board's guidance
- Taking into account the specific needs of consumers in vulnerable circumstances
- The need for better assessment of the impact of branch and ATM closures on consumers, including through engagement with local stakeholders such as MPs or charities
- The need for firms to take proactive remedial steps – including consumer impact assessments, providing earlier notification to the FCA, and communicating with consumers – before finalising branch closures

Our responses to the specific questions are included in Annex A below. Within our response, we have suggested several amendments to the guidance where we believe the language could be strengthened or clarified.

The Panel would welcome ongoing engagement with the FCA as it develops its final guidance in the coming months and stand ready to provide additional feedback or support.

Yours sincerely,

Helen Charlton
Chair, Financial Services Consumer Panel

ANNEX A – Responses to questions

Question 1: Do you agree that we should extend the definition of closures as proposed (to include partial closures caused by a long-term reduction in opening hours or services which would have a significant impact on customers)?

The Panel strongly supports the proposal to extend the definition of closures to include partial closures. This is a positive step forward as we agree that partial closures can cause disruption, inconvenience and uncertainty for consumers. Broadening the definition of closures will increase the number of proposed closures that are subject to the Guidance, meaning that firms will have to consider the wider, and cumulative, impact of these actions on consumers and communicate with the FCA about their plans. However, we encourage the FCA to revise its definition of a “long term” partial closure, currently proposed as six months or longer, to three months or longer. A closure of anything longer than one month is likely to be inconvenient and disruptive to a consumer, particularly for those living in areas where access to physical banking services is already limited. In addition, the Panel recommends removing “where this would have a significant impact on customers” from the definition of a partial closure. Rather, we would like the FCA make clear that any reductions in branch opening hours or services will require firms to consider the Guidance.

The Panel also supports the application of this Guidance for all new planned closures. However, as recognised in paragraph 1.12, the FCA has already observed evidence of poor practices, such as permanently reduced branch opening hours, impacting consumers in the present day. We would be further reassured if the FCA clarified how it intends to support consumers affected by past closures or closures already underway – for example, by scrutinising how firms are checking that consumers affected by closures are experiencing good outcomes from their banking services and that vulnerable consumers are experiencing outcomes that are as good as others’.

Relating to the above, the Panel remains concerned that the COVID pandemic has resulted in branches permanently reducing services and opening hours, often without sufficient notice or communication with customers. At the time, the Panel flagged this issue to the FCA through our regular channels of communication as causing potential harm to consumers, particularly those in vulnerable circumstances. The Panel also observed that some branches had kept inconsistent opening hours, which made it more difficult for consumers to plan, including making travel arrangements. This continues to be a risk as the Panel understands many branches have not yet returned to their previous levels of service, and reports from the press and wider civil society have reinforced our concerns. A Telegraph article¹ published in June quotes a spokesperson from Age UK who observed that the combination of banks cutting back their opening hours and the existence of fewer branches risked leaving consumers “cut adrift”, in addition to isolating some consumers for whom access to physical banking services “provides a reason to get out of the house and into town, and engage in society”.

Question 2: Do you have any comments on the other proposed changes to our Guidance?

The Panel generally supports the proposed changes to the Guidance. However, we would like to suggest several amendments, in particular to the language of the Guidance on vulnerability, as follows:

¹ See <https://www.telegraph.co.uk/personal-banking/current-accounts/new-clampdown-stop-banks-closing-branches-stealth/>

Paragraph 1.8: The Panel would prefer decisions relating to the closure of, and withdrawal from, banking hubs to be in-scope for the Guidance. If there is a concern that hubs are often provided by unregulated organisations, the FCA could make firms carrying out regulated activities through hubs responsible for assessing the consumer impact of changes to these venues. In some cases, firms are likely to have responsibility in any case under outsourcing rules.

Paragraph 2.1: Please refer to our response to Question 1 regarding the definition of a partial closure.

Paragraph 2.5: The reason for a closure does not change consumers' needs, or change firms' obligations under Treating Customers Fairly (or the forthcoming Consumer Duty) or the Vulnerable Customer Guidance. Indeed, exceptional circumstances might require more intensive customer support. The wording in this paragraph could make this clearer.

Paragraph 2.34: The Competition and Markets Authority has in the past determined that major banks do not comply with "easy to find" stipulations. The Open Banking Implementation Entity has also found examples of poor practice. The Panel would recommend making this section of the guidance more prescriptive about how firms will ensure customers see and understand key information.

Paragraph 2.39, third sentence: "Firms should ensure that the method of engaging with customers in vulnerable circumstances is sensitive to the needs of the customer, and where appropriate their carer."

We suggest replacing the word "carer" with "and, where appropriate, to third-party representatives, appointed formally or informally, to act on the customer's behalf". It is common for consumers in vulnerable situations to appoint a third party to interact with service providers on their behalf. This could be an informal arrangement (carer, social worker, health professional, friend, family member) or a formally-appointed representative (legal representative, attorney, and similar roles).

Paragraph 2.39, last sentence: "Firms should also consider whether they should pause the implementation of the closure or conversion until they have an appropriate solution in place."

The Guidance is already voluntary, so we feel strongly that the language could be strengthened to make a clear recommendation that firms should pause their plans for closure or conversion until an appropriate solution is implemented. Pausing the implementation of closures until alternative arrangements are in place is key to avoiding and reducing the risk of harm to consumers, and we believe firms should be strongly encouraged to take such action.

As an alternative, the FCA could adopt the following language: "We recommend that firms pause the implementation of the closure or conversion until they have an appropriate solution in place."