

How far is too far? Is there low Income Consumer Detriment from Gaps in Free-to-use ATM Provision?

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Executive Summary

This report was commissioned in response to concerns raised by Frank Field MP, at a summit in January 2014, that a lack of access to free-to-use ATMs in deprived areas of the UK may be causing detriment for specific groups of consumers. These concerns were raised despite the existence since 2006 of a long-term financial inclusion programme run by LINK, the membership scheme for ATM providers. LINK therefore commissioned Toynbee Hall to conduct independent research into the extent to which particular groups of consumers might experience detriment as a result of having to use pay-to-use ATMs and the factors that contribute to any such detriment arising.

Methodology

This report combines both quantitative and qualitative data to reach a new assessment of the issue of access to cash through pay-to use ATMs in deprived areas.

The quantitative phase used a smaller definition of area compared to previous analysis, namely the national statistics output area, to provide greater accuracy. This identified high levels of benefit dependent households living at least 1km from a free-to-use ATM; and high levels of Post Office Card Account (POCA) holders living at least 1km from a Bank of Ireland ATM.

The qualitative phase gathered data from affected consumers in Birkenhead and Tower Hamlets through interviews and focus groups to understand the reasons why people use pay-to-use ATMs, including any consumer preferences and concerns such as 'insecure' access to free-to-use ATMs. It also explored if any financial, physical or other detriment was experienced as a result.

Key Findings

84% of the general population in England and Wales were found to live within 1km of a free-to-use to access ATM, the industry-agreed standard for financial inclusion access. This level of supply is therefore likely to meet the needs of the majority of the population, and so overall access to free-to-use ATMs is broadly positive.

Nonetheless, 16% of the population live more than 1km away. While this greater distance may have little or no impact for highly mobile people, accessing a free-to-use ATM becomes more problematic for people with limited mobility, sole carer requirements and/or whose life circumstances mean they have few opportunities to travel away from their home. People in these circumstances are also often on the lowest incomes, often reliant on benefits, and are often careful cash budgeters so require greater than average access to cash. This research finds clear evidence that there can

be a significant negative impact on these consumer groups of having to use a pay-to-use ATM on a regular basis.

A total of 957 small communities (national statistics output areas) in England and Wales where working age benefit dependency ratios are 25 per cent or over are further than 1km from the nearest free-to-use ATM. This includes 138 small highly benefit-dependent communities that are more than 2km from a free-to-use ATM, and 10 that are more than 5km away. Overall across England and Wales, these figures equate to approximately 525,000 benefit dependent consumers who live more than 1km from a free-to-use ATM. Whilst some of these consumers will have a more active lifestyle which facilitates access to ATMs further afield, many will not and will thus be limited as to where they can access cash if they do not wish, or cannot afford, to pay to do so.

This research also looked at access to ATMs for Post Office Card Accounts (POCA) holders. The POCA account is provided by the Post Office, with ATM access provided by the Bank of Ireland, and is outside of the LINK scheme. The data showed that POCA customers have the worst ATM access to their cash: there are currently almost 2.6 million working age benefit recipients who live more than 1km from a Bank of Ireland ATM in England and Wales. Pensioners reliant on POCAs to obtain their benefits are likely to have a particularly difficult time. The top 20 per cent of output areas by pensioner concentration are on average nearly 6km from a Bank of Ireland ATM; the median values are also high, at close to 2km.

A key research question was whether the industry financial inclusion standard of 1km from a free-to-use ATM was an appropriate distance for all circumstances. Our qualitative research indicates that particular barriers to accessing free-to-use ATMs exist where geographical characteristics and consumers' personal circumstances combine. These combinations appear to be especially prominent among communities with high levels of benefit dependency, including those with high proportions of people in receipt of the state retirement pension and/or benefits associated with chronic health problems and disabilities.

Examining the detail of people's circumstances demonstrates that even a kilometre may be too far to a free-to-use ATM for consumers who are dependent on benefit income AND where the following additional personal or geographical/location characteristics are present:

- Their personal health prevents them from travelling a kilometre without incurring unreasonable financial costs or physical detriment
- Their responsibilities as carers - either for a dependent adult or children who are very young and/or have health problems or disabilities - limit their ability to travel, the times at which they can travel or the amount of time they are able to be away from home

- Their personal circumstances restrict their natural sphere of movement on a regular basis to within a distance of significantly less than 1 km
- They live in areas of housing that are – or feel – very isolated, or are bounded by physical barriers such as motorways or waterways with no accessible crossing point
- They live in an area that has an actual or perceived high rate of violent crime and the free-to-use to access ATM is deemed to be in an area that is unsafe or requires travelling through an unsafe area
- They live in an area that only has access to one free-to-use ATM that is regularly out of use or runs out of small denomination notes and, therefore, cannot be relied upon

As a result of their tight budget margins and careful money management routine, research participants demonstrated that they usually:

- Know they are being charged and what the charges are for different ATMs
- Know where their nearest free-to-use ATM is located
- Experience a range of financial and non-financial costs and barriers in using free-to-use ATMs
- Weigh up the financial costs of using a pay-to-use ATM against the costs and barriers to using a free-to-use ATM, and make conscious and reasoned choices about which to use

Often these choices are driven by pressing immediate needs which leave little room for manoeuvre, even though paying for a pay-to-use ATM has negative implications for financial well-being in the longer term.

We found that consumers who did not have reliable and straightforward access to a free-to-use ATM appear to have four options:

- They can travel further to access a free-to-use ATM
- They can stay closer to home but pay a charge to access their cash through an ATM
- They can choose not to access their money
- They can give their ATM card to a third party who can access a free-to-use ATM on their behalf

Our research participants appeared to mix and match these choices depending on the amount of money in their account, whether their need for cash was an emergency or routine, and their personal preference on the day, thus demonstrating a level of flexibility and sophistication in their decision-making which was aimed at achieving the best overall outcome to meet their immediate needs. However there were also implications of choosing not to use pay-to-use ATMs, such as being unable to access

and therefore spend any money that day, or compromising physical or account security by travelling to an unsafe area or giving their card to someone else to withdraw money.

Meeting immediate needs can also have significant financial implications for these consumers. This research identified people who, due to the frequency of their withdrawals from pay-to-use ATMs, were regularly incurring charges ranging between £3.70 and £9.25 per week from income which was largely, if not entirely, from benefits.

One scenario which occurred repeatedly was the need to pay bills promptly and safely. Consumers on a very low income often prefer to seek out locations where they can withdraw cash and immediately pay their bills within a short distance, such as a Post Office or local shop which has both cash withdrawal and bill payment facilities. For very low-income consumers with mobility constraints and whose most accessible bill payment facility is co-located with a pay-to-use ATM, this budgeting behaviour can increase the cost of bills once the cost of the surcharge is added, particularly when bill payments occur at different times of the week or month and thus require multiple withdrawals. Benefit-dependent consumers without easy access to a free-to-use ATM whose cash flow requires weekly bill payment are most likely to experience detriment in this regard.

Finally, research participants reported strong emotional responses to having to pay to withdraw cash; typical comments were that they felt angry and stupid for allowing themselves to be "exploited" by pay-to-use ATM providers, and that they were trapped into paying more because they were poor. Whilst there may be a role for pay-to-use ATMs in the overall system of access to cash, the industry needs to recognise the lack of legitimacy seen by many low income consumers of paying to use ATMs and should therefore consider how to respond.

The research therefore demonstrates that, whilst overall provision of ATMs is positive, there are particular groups of customers who do experience detriment as a result of having to use pay-to-use ATMs, and for whom there are no easily accessible alternatives. Customers most at risk of such detriment are those with limited mobility and/or who live in isolated area with low levels of commercial services and higher levels of actual or perceived crime. There is clearly more work to be done in closing these gaps in supply, and thus reducing the detriment experienced by the most vulnerable, often on the lowest incomes.

Recommendations

In addressing these issues, LINK should consider the following key recommendations:

- LINK should prioritise resolving those 957 areas identified as having high benefit-dependent communities which are more than 1km from a free-to-use ATM

- It is imperative that low income consumers managing on strict cash budgets are not incentivised to withdraw more or less cash than they need in order to avoid charges and thus support responsible budgeting. This would include maximising the benefit provided by the co-location of free-to-use ATMs and bill payment terminals.
- POCA users would greatly benefit from increased access to ATMs through the LINK network. The Post Office and LINK should consider how best to provide this access and the government should consider mandating the Post Office to provide such access upon any renewal of the POCA contract.

This research also highlights issues which are beyond LINK's scope of influence and thus can only be addressed by the financial services sector as a whole:

- People with specific access needs should be considered as having an essential need to access cash, e.g. severely restricted mobility, those with continual sole caring obligations. The industry should find ways to enable such customers to gain free-to-use access to their cash despite their individual mobility limitations
- For low income households, effective money management requires access to the final few pounds in the account. The industry should explore how it can support those managing on tight incomes to access the final small balance where the application of the charge brings the balance below the minimum withdrawal amount (£10 or £5)
- Consumers expressed a desire to be able to access very small amounts of money e.g. £2-3, when this was the remaining account balance. Irrespective of any withdrawal charge, the industry should seek innovative ways to help consumers access the last few pounds in their account

Initial analysis indicates three types of possible solutions for LINK and the rest of the industry to consider:

- Geographical access solutions for specific communities. Such solutions could initially target the 957 small communities in England and Wales where working age benefit dependency ratios are 25 per cent or over, yet the nearest free-to-use cash point is more than a kilometre away. Consideration should also be given to ensuring continuous and safe free-to-use access to cash in communities with high benefit dependency where there is currently only 1 free-to-use ATM
- Technological solutions which could benefit all users. Such solutions would involve changing the services provided through ATMs and/or the information provided at the time of use, for example to give customers both accurate information about the cost of the service, and the impact of the cost on the customer's live balance
- Technological solutions for identifiable users with specific characteristics. Such solutions could be applied to the accounts of consumers identified as vulnerable

or who would be likely to experience significant detriment due to e.g. limited mobility or carer responsibilities

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Chapter 1: Introduction

Since the early 2000s ensuring access to cash has been recognised as an important aspect of achieving financial inclusion. In 2005 a Treasury Select Committee report identified 309 areas in the UK that lacked adequate access to free-to-use ATMsⁱ and an ATM Taskforce was subsequently established by the Treasury under the chairmanship of John McFall MP in 2005. This report identified areas with lower average incomes which had poor access to free-to-use cash machines. This was an important inclusion issue as people on lower incomes had less access to other forms of payment such as debit and credit cards, and cash was a more frequent form of payment for these households. Furthermore, since people managing on low incomes generally took out small amounts of money at frequent intervals, and ATM charges are usually calculated per transaction, the comparative cost of withdrawing money was disproportionately higher for low income households. Finally, the ATM Taskforce found that the level of transparency about charges was inadequate.

In response, LINK introduced a Financial Inclusion Programme to subsidise new free-to-use ATMs in deprived target areas identified by the Financial Inclusion Taskforce. In addition, LINK members agreed new rules for signage at pay-to-use ATMs to ensure transparency for customers using those machines. In December 2006, the Financial Inclusion Taskforce announced that 600 new free-to-use ATMs would be installed in low-income areas as part of the LINK network, and welcomed LINK's introduction of a strengthened set of transparency rules for charging ATMs so that customers could immediately distinguish them from free-to-use ATMsⁱⁱ. In December 2008 an ATM Working Group press release confirmed that 527 new free-to-use access cash machines were operating in low income areas across the UK, and that a further 136 locations for free-to-use access cash machines had been identified, with plans to put these additional ATMs in place within the following 6 months. These 600 machines were estimated to increase access to free-to-use ATMs for 1.5 million people in low-income areas.

ATM numbers have grown over the period and the total number of free-to-use and pay to use stands at an all-time high of 68,000. Almost all are connected to LINK. Whilst these growth years had increased the number of ATMs, the recession led to a small decrease, partly linked to the closure of bank branches, and there was little or negative growth in the number of ATMs in 2008-2010ⁱⁱⁱ. Growth in ATM installation resumed in 2011 and 2012, primarily by independent providers rather than by banks or building societies (BBS). In fact between 2002 and 2012 the number of independently owned cash machines increased by 7.5% to 31,347 in 2012 while the number of BBS owned cash machines decreased by 1.2% to 34,697 in 2012. Some of this shift was a result of the acquisition of BBS cash machines by independent operators, as well as of the installation of new machines.

There has also been a shift in the ratio of free-to-use to pay-to-use machines. Whilst in 2002 this ratio was 77% to 23% in favour of free-to-use machines, by 2004 this had shifted to 60% to 40%. There was little change in this ratio until the end of 2008, from

when the balance began to change again. By 2012 the ratio of free-to-use had increased to 70% compared to 30% pay-to-use. In terms of absolute numbers, in 2002 there were 9,508 pay-to-use machines compared to 20,065 pay-to-use ATMs at the end of 2012. However this increase must be seen in the context of an overall increase in the total number of ATMs; free-to-use machines have also increased in number from 31,317 in 2002 to 46,069 in 2012, driven by growth in new sectors such as convenience stores, entertainment venues and petrol stations, as well as the LINK Financial Inclusion Programme, which had installed 840 machines in deprived areas by the end of 2012. Usage of pay-to-use machines remains very low at below 3% of all withdrawals by volume and value^{iv}.

Despite this on-going work by LINK and others to support universal access to free-to-use ATMs in deprived areas, research and anecdotal evidence from advice agencies and financial inclusion programmes showed that some deprived areas remained without a free-to-use ATM; in November 2013 LINK assessed that there were still 267 Super Output areas which did not have access to a free-to-use ATM, out of a total of 41,766 Super Output areas across the UK^v. Additionally, research also shows that there may be other factors which affect an individual's ability to access a free-to-use ATM. Quantitative research^{vi} showed that differing factors were of primary importance in deciding when, where and how to draw cash depending on the customer's demographic characteristics. Research on consumer preferences for accessing cash showed that older and female customers considered safety the priority when choosing where to access cash, whilst customers on lower incomes were more likely to prioritise convenience (proximity) over whether the transaction should be free than those in higher socio-economic groups. People with a disability, or who live with someone with a disability, were less likely to use an ATM than consumers without a disability in the household. Thus the research suggests that it is a combination of geography and personal circumstances which affects where and how people prefer to withdraw cash.

In October 2013 Frank Field, MP for Birkenhead, raised a concern that some of the poorest people in the UK are unable to access free-to-use ATMs, based on his own experience of withdrawing cash within his constituency^{vii}. A key concern expressed by Field was that average figures showing overall levels of access to free-to-use ATMs were disguising real and unacceptable detriment suffered by poor and vulnerable consumers who had no choice but to use pay-to-use ATMs. To address this concern, LINK commissioned Toynbee Hall to undertake independent research to explore both the scale of any detriment, and the groups of consumers and the geographical areas most affected. Toynbee Hall formed an expert team to conduct the research, working with Claire Whyley of Sliced Bread Consulting, Monique Rotik of Collaborate Research, and Kitty Ussher of Tooley Street Research.

The overall objective of this work was to explore the extent to which particular groups of consumers experience detriment as a result of using pay-to-use ATMs and the factors that contribute to this detriment. The research was designed to address a number of specific questions:

- Which, if any, consumer groups are likely to be over-represented among people who have difficulty accessing free ATM services?
- What are the obstacles that contribute to consumers' difficulty in accessing free ATM services?
- How do these obstacles affect consumers in terms of access to free ATMs and their use of fee-charging ATMs?
- How does the use of fee-charging ATMs impact on different groups of consumers?
- How many consumers in the UK experience detriment because they lack access to free ATMs?
- What action is required to overcome the obstacles faced by consumers in accessing free ATM services and/or reduce the detriment faced by those who have no choice but to use fee-charging ATMs?

Methodology

Whilst there has been extensive mapping already undertaken to identify geographical areas where residents lacked sufficient access to ATMs, the goal of this work was to identify areas of detriment which existing data had failed to capture. The project therefore used fresh data analysis to re-explore the relationship between the proximity to an ATM and the key household characteristics of people who face difficulties in obtaining access to cash. In addition, there was a qualitative research phase to understand the reasons that people use pay-to-use ATMs, including issues with 'insecure' access to free-to-use ATMs, and any detriment they may experience as a result.

Quantitative Analysis: Identifying people living more than 1 km away from a free-to-use ATM

The first comprehensive attempt at geographic mapping of the location and coverage of free-to-use cash machines in Britain was produced in 2005 following a working group with industry set up by the Treasury Select Committee to increase access to free-to-use ATMs in lower-income areas^{viii}. These statistics examined the distance to free-to-use ATMs in lower-level super-output areas with relatively high (top quartile) levels of deprivation, as measured by the Index of Multiple Deprivation (IMD). This mapping identified 600 low-income areas that lacked sufficient access to free-to-use ATMs. However Frank Field's concerns in 2013 were that there may still be consumers who lack access to free-to-use ATMs that the existing data analysis had not identified.

Our own analysis has identified two key difficulties with the existing approaches to measuring access to free-to-use ATMs:

- First, lower-level super-output areas are small areas, consisting of around 1,500 residents, but they are not the smallest. Since distance to an ATM is measured from the 'centroid' of the super output area to the precise location of the ATM,

people in an outlying part of the grid in question may face a very different situation from the average

- Second, recent research undertaken by the Payments Council shows that the groups experiencing most hardship in ATM access are those with restricted mobility, either due to health problems or caring responsibilities, and those whose daily routines do not bring them into contact with areas that have commercial activity, which is best approximated by areas with high proportions of people in out of work benefits^{ix}. This is a narrower category than the basket of indicators used by the IMD

In other words, the drivers to increased use of pay-to-use ATMs may be more geographical than the original Treasury Select Committee analysis suggested, particularly when coupled with the specific limitations on mobility associated with the lowest incomes and highest disability found in areas with high proportions of people in out of work benefits.

Examining data for England and Wales¹, the quantitative phase of our project therefore used a smaller definition of area compared to previous analysis, namely the national statistics output area, to provide greater accuracy in terms of results^x. This level of data typically includes 125 households in each area. This data was then overlaid with benefits data to identify areas where working age benefit dependency ratios are over 25 per cent^{xi}.

As part of this exercise we also looked at access to free-to-use ATMs among Post Office Card Account (POCA) holders who are restricted to using Bank of Ireland machines. Although we recognise that access to POCA through the Bank of Ireland cash machines is not part of the LINK network, this research offered an important opportunity to explore the POCA issue and LINK's potential to offer solutions.

Qualitative Research: Exploring how restricted access can cause consumer detriment

Clearly not everyone who lives more than 1 kilometre from a free-to-use ATM will experience detriment as a result. Existing research shows that those who are highly mobile, and whose life circumstances routinely take them away from their home for purposes such as work, leisure or activities such as shopping, are usually able to access a range of ATMs and thus can choose whether to use a pay-to-use or free-to-use machine^{xii}. It was therefore crucial for this work to understand how and why particular types of consumers might experience detriment when others do not.

We therefore conducted additional qualitative research in two areas in England: Birkenhead, the constituency of Frank Field MP, who had prompted this work, and the London Borough of Tower Hamlets, where Toynbee Hall is based. Qualitative evidence

¹ The smallest size area for available datasets in Scotland is a different size compared to those for England and Wales, so requires significant manipulation for robust comparison. Within the scope of this research the team therefore confined the analysis to data for England and Wales.

was collected through four focus groups and 17 depth interviews spread across these two areas. Participants were recruited using the following criteria:

- All were in receipt of means tested benefits (Job Seeker's Allowance, Working Tax Credit, Child Tax Credit, Income Support, Employment and Support Allowance, Pension Credit etc.)
- All had a bank account or Post Office Card Account (POCA) – with a specific quota of POCA holders
- All received most or all of their income electronically to their bank account or POCA
- All managed their day-to-day expenses mainly in cash
- All used pay-to-use ATMs regularly for reasons based on need rather than choice. This included where the nearest ATM was further than the individual's movement range due to mobility restrictions, or where the ATM was in an unsafe area or considered unreliable

The groups examined the reasons that people used pay-to-use ATMs, and whether specific barriers to the use of free-to-use ATMs exist. In addition, there was a detailed exploration of what, if any, impact regular use of pay-to-use ATMs had on people's lives, and whether examples of detriment were evident.

Report structure

Chapters 2 and 3, to follow, outline the findings on **access to free-to-use ATMs**, including:

- new data analysis to measure the levels of access within 1km to free-to-use ATMs within high benefit dependent areas in England and Wales
- qualitative research undertaken to explore the additional factors, beyond pure geographic proximity, which can limit access to free-to-use ATMs, and whether certain groups of consumers are experiencing particular detriment as a result of their use of pay-to-use ATMs.

Chapter 3 explores the **impacts of lack of access** to free-to-use ATMs and includes specific examples of the financial, physical and other forms of detriment faced as a result.

Chapter 4 draws together the findings, and presents **overall conclusions and recommendations** from this work.

Chapter 2: Access to free-to-use ATMs

Geographic proximity

The quantitative findings from the national statistics output area analysis indicate that the majority of the population in England and Wales (84%) do live within 1 km of a free-to-use ATM. The data suggest that there is an adequate level of provision for the general population given that, for the majority, their livelihoods will be likely to bring them into areas with free-to-access ATMs on a regular basis, thus increasing their choices around where to access cash and whether to pay to do so. Thus for the working, healthy, mobile population the current provision of free-to-use ATM access is broadly positive.

This leaves, however, 16% of the population (28,996 small communities containing 9 million people) in England and Wales that currently live more than 1 km away from a free-to-use ATM. This number is greater than is indicated by the 2005 statistics, since the quantitative analysis in this report uses smaller communities than the 2005 data and is thus more accurate.

This research was commissioned by LINK to identify where, despite this overall positive picture of free-to-use ATM access, there might be particular geographical pockets or specific groups of consumers who do not currently have this general high level of access, and thus who may be more restricted in their ability to access cash without having to pay to do so. Existing research^{xiii} has highlighted that such groups might include the benefit-dependent, people without good levels of mobility, and those whose a 'daily routine circumference' does not regularly take them into areas of commercial activity such as shopping areas or a busy high street. The term "benefit-dependent" used in this report refers to pensioners and those in receipt of out of work benefits, including due to disabilities and/or health problems. This research therefore analysed the quantitative data to identify communities where these groups represented a higher than average (over 25%) proportion of the general population.

A separate piece of analysis is required to assess access for holders of Post Office Card Accounts (POCA), since the POCA can only be accessed through Post office counters and Bank of Ireland ATMs. Although POCA access to Bank of Ireland ATMs is not currently part of the LINK scheme, this research nevertheless looked at POCA access in order to ensure these consumers' needs were considered and to offer a fuller picture of ATM access needs. Access to free-to-use ATMs among POCA holders is particularly problematic, to the extent that, if we include POCA holders in the analysis, the percentage of the population living within 1 km of a Bank of Ireland ATM from which a POCA holder can withdraw cash falls to just 39%. There are currently just under 2.6 million working age benefit recipients who live more than 1km from a POCA ATM in England and Wales. Around 17 per cent of those in the lowest quintile of incomes have POCAs. Pensioners reliant on POCAs to obtain their benefits are likely to have a particularly difficult time. The top 20 per cent of output areas by pensioner concentration

are on average nearly 6km from a Bank of Ireland ATM; the median values are still high, at close to 2km.

Although there is no correlation between benefit dependency and proximity to a free-to-use ATM, the absolute number of output areas with high benefit dependency that have distances in excess of 1 km to a free-to-use ATM is, nevertheless, significant. There are currently 957 small communities in England and Wales where working age benefit dependency ratios are 25 per cent or over, yet the nearest free-to-use cash point is more than a kilometre away. Of these, 138 small highly benefit-dependent communities that are more than 2km from a free-to-use cash point, and 10 are more than 5km away.

Additional factors limiting access

The previous criterion used by the Treasury Select Committee working group looking at access to free-to-use ATMs was a literal geographical measure of 1km as the crow flies. This research explores whether the 1km geographical measure is still appropriate, whether it is appropriate for all consumers, and whether there are additional circumstances which might make a literal geographical measure between two points on a map inappropriate in assessing access to free-to-use ATMs because it would not be reasonable to expect those consumers to travel that short distance. In other words, are there circumstances under which 'a kilometre is not a kilometre'? One of the specific objectives of the qualitative phase of this research was to explore the extent to which geographical factors, such as the presence of a busy road or the specific characteristics of a free-to-use ATM site, or personal factors, such as health or other mobility problems, mean that a kilometre is not an appropriate measure of access to ATMs for some specific groups of consumers.

As already discussed, access to free-to-use ATMs is not normally problematic for the majority of consumers - either because they live within a kilometre of one or have a 'daily routine circumference' which regularly brings them within that distance of a free-to-use ATM. This research suggests, however, that for a certain minority of consumers, the assumption that they are routinely able to travel a kilometre, or less, to access a free-to-use ATM is problematic.

This can relate either to particular characteristics of the areas in which they live or through which they would need to travel in order to access a free-to-use ATM. Or access can be made more problematic as a result of a consumer's personal circumstances. Qualitative research targeted specifically at exploring the experiences of this group of consumers – who routinely make use of pay-to-use ATMs – indicates that particular barriers to accessing free-to-use ATMs exist where geographical characteristics and consumers' personal circumstances combine. These combinations appear to be especially prominent among communities with high levels of benefit dependency, including those with high proportions of people in receipt of the state

retirement pension and/or benefits associated with chronic health problems and disabilities.

The research demonstrates that a kilometre is not an appropriate indicator of access to a free-to-use ATM for consumers who are:

- **dependent on benefit income**

AND

- **where the following additional personal or geographical/location characteristics are present:**

Personal circumstances

- Their **personal health prevents them from travelling a kilometre without incurring unreasonable financial costs or physical detriment**. For example, some benefit recipients, especially those reliant on the state retirement pension or benefits associated with health problems or disability, have health or mobility problems that prevent them from travelling even short distances independently. This group is unable to make the journey to a free-to-use ATM, even when it is within a kilometre. The types of health problems that prevent this can be physical, making it difficult for people to walk, or mental, preventing them from leaving the house alone.

“ I have arthritis and I can’t walk... A few times I’ve fallen in the street. So the nearest place for me is our local shop next to my flat, and I’ve got no option.”
Woman aged over 30, medically retired, living in Tower Hamlets

- Their **responsibilities as carers - either for a dependent adult or children who are very young and/or have health problems or disabilities** - limit their ability to travel, the times at which they can travel or the amount of time they are able to be away from home.

“ I’ve got the kids around me 24/7... Michael, because he was born with disabled hands, both hands, his wrists and that, and he’s big as well, and he can’t walk. He gets out of breath. Brian, the big boy, he’s deaf. They just don’t like walking, but obviously they’ve got to come with me.”
Single parent with three children, living in Tower Hamlets

“ For me, because I pay bills weekly and the nearest shop by me, I’ve got to pay by cash, the one [ATM] I’ve got to walk to is a mile and a bit away. Taking the baby up that way and bringing her all the way back again is an inconvenience,

because of the charge [at the nearest ATM].”

Single parent with a two year-old child, living in Birkenhead

“I obviously don’t leave my mum [who has physical and mental health problems] on her own too long, so for me just go to [local shop] get whatever I need. Pay my bills at Texaco, gas and electric... I do mostly shopping online.”

Young woman living in Tower Hamlets, caring for her mother

“My daughter’s got behavioural problems and nobody will look after her at all... so I’d rather just go to my local shop that’s got the cash machine... The shop is on the corner, so it’s easier to get her there without any fuss.... It’s easier to use that one... She can get one sweet from that shop and she knows the routine and then we’re straight back home. Every week.”

Single parent, living in Tower Hamlets

- Their **personal circumstances restrict their natural sphere of movement on a regular basis** to within a distance of significantly less than 1 km. For example, they are retired or are not currently able to work or study, so they have no regular activity which takes them away from their residential neighbourhood and which would absorb the financial or time cost of travel outside of the area.

“[When I was working] you used to go out for lunch. You had that one-hour break... routine is completely different... On your way, for the day I’d take £10-20 out. You go to every station there’s a cash point. You’re in the City, there’s cashpoints everywhere. So I never used to have problems with taking cash out then. But, yes, now I’m at home [caring for a young baby]. I’m not in the City and busy areas... where there’s a High Street.”

Single parent, living in Tower Hamlets

“I probably used the bank more, the cash machine at the bank a lot more when I was working because it was easier as I was walking home from work just to go to the nearest bank and take the money out.”

Older woman, unable to work due to a chronic health condition, living alone in Tower Hamlets

Location characteristics

- They **reside in areas of housing that are – or feel – very isolated**. This can be geographical, because they live on out-of-town housing estates, or because the area in which they live is bounded by main roads and/or other difficult to navigate landmarks such as hills, rivers or other physical barriers. Or a sense of isolation can stem from the fact that the area has become very run down and lacking in ‘High Street’ type facilities, or due to a lack of affordable or accessible transport

routes to more commercial areas. All of these factors can result in people feeling constrained in their ability to travel away from their area and can result in heavy reliance on small, local shops with little access to facilities such as supermarkets, banks and train stations, where free-to-use ATMs are often located.

“ [When] I had to pay for the bus, so it was cheaper to get that [use a pay-to-use ATM] than to get the bus. Otherwise, it costs you £4 to get the bus, so it’s not worth it.”

Man aged 61, living in Birkenhead, with his wife and son

“ Tesco’s, which is at Bromley by Bow, yes, if you want to drive there or get killed while crossing the motorway, because that’s horrendous. I’m actually addicted to the one that charges me £1.95... I’m addicted to that because I think there’s no point of me actually walking there and back [to access a free-to-use one and finding it broken or only dispensing £20]. Let me just go to my local one and get whatever I need.”

Single parent, living in Tower Hamlets

- They **reside in an area that has an actual or perceived high rate of violent crime** and the free-to-use to access ATM is deemed to be in an area that is unsafe or requires travelling through an unsafe area. Many of the benefit recipients who took part in the qualitative research for this project expressed significant fears about the safety of the areas they lived in and/or the areas they needed to travel through in order to access a free-to-use ATM. These fears – sometimes based on personal experience of crime or knowledge of violent crimes that had occurred nearby – severely restricted their ability to access free-to-use ATMs. For some, these concerns related mainly to travelling to an ATM at night or when it was dark. Others, however, felt very unsafe using the nearest free-to-use ATM even during the day if it was located outside on the street.

“ It’s not that safe round here.... And where the cashpoint is, well, by the Post Office, it’s opposite a dead dodgy park... There’s always scallies standing outside there smoking, there’s always fights outside there.”

Single parent, living in Birkenhead with her two children

“ I won’t go into the shops around here for a cash machine. It’s too scary... A woman that lives near my mum. Her son, a proper fully-grown man, 50 odd, he got murdered last year around this area. There used to be a cash machine there. He got murdered outside the cash machine.”

Single parent with three children, living in Tower Hamlets

“They feed off the vulnerable, basically. If you’re someone with either a pram, elderly or someone who can’t fight for what you’ve got that’s you gone. There’s no point in your even drawing your money out. You know full well you’re going to get robbed.”

Single parent, living in Tower Hamlets

- In addition, many of our research participants expressed a deep-seated fear that, if they used an ATM located on the street in certain areas, they would be **at risk of becoming a victim of fraud**. A widespread, and perhaps disproportionate, fear of fraud among people new to banking and/or on very low incomes has been fairly widely reported in other research^{xiv}. This fear is driven by their relative inexperience of and lower levels of comfort with transactional banking, and the huge impact that losing any of their income would have on their ability to make ends meet. Participants in our research displayed a high level of concern about their potential to fall victim to fraud when using ATMs in areas that they considered to have a high crime risk and calculated this risk to be higher in relation to ATMs located on the street. As a result, those who feared becoming a victim of fraud often preferred to use ATMs located inside shops, which they felt were less likely to have been tampered with.

“The shopkeeper’s there. When the shop’s closed, the cashpoint’s closed. People can’t go in and do anything. I do trust it more.”

Single parent, living in Tower Hamlets

In this context, using a pay-to-use ATM located in a shop, where they feel physically safer because they are off the street, in a well-lit area with a shop keeper present, is a price many of our research participants are prepared to pay if it is the only way to protect themselves and their money.

“I suppose when you’re getting your money out in the shop you know you’re going to be quite safe in there. That’s the only good thing about paying the £1 something.”

Single parent, living in Tower Hamlets

“If it gets to the point where you’ve a choice – that cash machine, where you’re not secure, there’s no CCTV, no one around, or that cash machine which is in a shop full of people, full of CCTV, and you know full well you’re going to be safe.”

Single parent, living in Tower Hamlets

- They **reside in an area that only has access to one free-to-use ATM** that is regularly out of use or runs out of small denomination notes and, therefore,

cannot be relied upon. Participants in our research tended to believe that free-to-use ATMs are more likely to have run out of cash either because they are used by so many people due to the absence of other ATMs nearby, or because they are more likely to have been vandalised given their location in areas of high crime.

“One day it can be working, next day not for a month or a week. They don’t fix them.”

Single parent, living in Tower Hamlets

“[ATM at] Asda – always broken. Natwest – always broken. Bank of Scotland, Barclays and the Post Office, unless you want to take out £20, broken because they don’t do £10... I don’t want to take £20 out. I just want to get £10 out.”

Woman, living in Tower Hamlets

In these circumstances, they had to weigh up the costs – financial and non-financial – of making the journey to a free-to-use ATM and running the risk of having to ‘zigzag’ between ATMs looking for a machine in working order, against the costs of going first to a pay-to-use machine which is closer and perceived to be more reliable.

Chapter 3: Impact of restricted access to free-to-use ATMs

It is well established in other research that people managing tight and/or fluctuating budgets generally prefer to manage their money in cash^{xv}. This was echoed in our qualitative research.

For participants in our qualitative research cash money management offers a high degree of transparency and cannot be ‘overspent’.

“Well, you know what’s in your hand. You know I’ve got £50 that’s going to last that week... It’s easier to deal with cash than sit there and go, ‘I’ll just pay that on my card’. Overdraft here we go! At the end of the month you think, ‘What have I done?’”

Single parent, living in Tower Hamlets

“When you pay by card it’s not the same. It’s not real. When you’re paying with money it’s more real isn’t it, than with a card?”

Man aged 71, living with his wife and son in Birkenhead

“You know it’s there in your purse... You know exactly what you’ve got in your pocket. You know exactly what you’ve spent.”

Young woman, living in Tower Hamlets

Cash budgeting also affords people on low incomes the ability to manage money over very short time periods. For participants in our research this was usually weekly, but in times of particular financial stress they may calculate and re-calculate their needs on a daily basis.

“I’ve got three bits in my purse, it’s got different compartments and around each part I put £20 so I’ve got different money for every day.”

Woman over 30, living in Tower Hamlets

“I might use it [ATM] once this week. Next week I might use it three times. It varies. Sometimes I use it twice a day, three times, depends what’s happening.”

Man aged 71, living in Birkenhead with his wife and son

In addition, using cash gave those who took part in our research the flexibility to juggle their expenditure – widely referred to as ‘robbing Peter to pay Paul’ - in order to make their money last to the end of their budgeting period. Account-based money management, on the other hand, can present significant risks – and costs – due to their low or fluctuating incomes. Some found account-based money management less transparent and predictable, in terms of when payments are made from and received into their account and, consequently, found themselves unclear about the amount of money they had left.

“I took my daughter out. I used my card. Four days later the money came out for it, not the same day.”

Woman over 30, living in Tower Hamlets

“I hate using my bank card. ... Say I've gone and used my card in Morrisons on the Friday, it might not come out until the Wednesday, and then I get myself in a mess because I don't know what to keep in there.”

Single parent, living in Birkenhead with two children

Mistakes made with account-based money management had proved costly for some, especially give that their accounts generally featured low balances.

“I had a current account and they kept charging me for everything. I asked them to take the overdraft off and they wouldn't, they refused to take it off, and then for everything single thing they charged me. That's why it built up and within a month I owed them.”

Single parent, living in Tower Hamlets

A survey of people new to banking published in 2010 found that, as a result of exposure to penalty charges, half were financially worse off as a result of using transactional banking facilities to manage their money^{xvi} As a result, while the people who took part in our qualitative research had their income paid into a bank account, relatively few made use of transactional banking facilities. Rather, they withdrew the money from their account and used cash for essential spending. For some, this meant withdrawing small amounts of money from their account throughout their budgeting period. This enabled them to cover expenses as they arose, without running the risk of taking out more money than they needed and leaving themselves short at the end of their budgeting period.

“If I've got it in my purse I'll spend it. I'll take it out daily rather than take it out in one hit. So sometimes I have no choice but to have the charge.”

Single parent, living in Tower Hamlets

“I use it [a pay-to-use ATM] a couple of times a week. Mainly on a Monday I use it to get everything to pay [bills] and I'll use it again on a Friday.”

Single parent, living in Tower Hamlets

“I try and get a small amount out so I've got enough to pay the rest of the bills. If I've got it all in my purse I'll waste it, so I try not to get as much out. But because I don't go down the market as much where the free-to-use [ATM] machines are, I literally have to rely on that [pay-to-use] machine at my shop.”

Woman, living in Tower Hamlets with her partner and children

Those who lived in areas in which they did not feel physically safe were also fearful of withdrawing or carrying large amounts of cash, and so relied on frequent small cash withdrawals to reduce the risk and impact of money lost through theft.

Rita, a young single parent, living in Tower Hamlets and caring for her five month old baby who has on-going health problems as a result of being born prematurely, told us:

“I’ve experienced cash being taken from me. I’ve had people nick my purse on the tube with cash in... I don’t really feel confident having a lot of cash on me ... When I do use cashpoints I try to use the minimum. Get the minimum out. Obviously the minimum don’t cover my needs...”

Consequently, she sometimes withdraws cash from an ATM several times a day.

“I like to keep a maximum of £20, if anything. Even if it means me getting £20 five times a day I’ll have to...”

Rita does not have an easily accessible free-to-use ATM nearby, and when she makes the journey to her closest free-to-use ATM, she often finds that it is out of order.

“Yes, usually the free-to-use ones, the one in my area, most of the time they’re out of cash. They’re temporarily unavailable, and if there’s an emergency, usually I never have cash on me so I end up using [pay-to-use] cash points. You try and look for free-to-use cash points but you can’t, so you just have to go into those little shops or ones in the street that charge £1.85, £1.65, £1.50.”

As a result, she is resigned to bearing the cost of using pay-to-use ATMs, despite the fact that it erodes her – already very stretched – budget.

“I do manage better with cash but I have to use the cash point a lot and that’s a nuisance because I’ve got no local cash point apart from the cashpoints in the local shops but they charge. I end up using that many times. It’s just one of those things...”

Others who took part in our research preferred to withdraw most or all of their income from the account as soon as it was paid in. For those who received their income in a single payment each week or month, this involved only one withdrawal per budgeting period. Many, however, received their income in several tranches at different points in their budgeting period. This applied especially to people who were in receipt of multiple

benefits, all of which were paid on different dates and frequencies. This could result in income being received weekly, fortnightly and monthly. In these circumstances people needed to make multiple withdrawals to access all of their income across a single budgeting period.

Jackie, a single parent, receives Job Seekers Allowance, Child Tax Credit and Child Benefit. Each of these is paid on a different day, so she receives her income weekly, but each benefit is paid on a different day of the week. To withdraw all of her income can mean she needs to use an ATM three times a week.

Moira, a single parent with three children, one of whom is disabled, receives Income Support, Carers Allowance, Disability Living Allowance, Child Benefit and Child Tax Credit. She receives three of these benefits weekly and two monthly, but on different days in the month. She withdraws her income on a fortnightly cycle involving two withdrawals one week and three the following week. She points out that the lower withdrawal limits on pay-to-use ATMs means she has to make multiple withdrawals because she cannot withdraw all her income in one go from these machines.

As a result of their tight budget margins and careful money management routine people on benefits who make regular use of pay-to-use ATMs usually:

- Know they are being charged and what the charges are for different ATMs
- Know where their nearest free-to-use ATM is located
- Experience a range of financial and non-financial costs and barriers in using free-to-use ATMs
- Weigh up the financial costs of using a pay-to-use ATM against the costs and barriers to using a free-to-use ATM, and make conscious and reasoned choices about which to use. Often these choices are driven by pressing immediate needs – e.g. to top-up the electricity meter in order to cook the evening meal – which leave little room for manoeuvre, even though paying for a pay-to-use ATM has negative implications for financial well-being in the longer term.)

In our research, those who did not have reliable and straightforward access to a free-to-use ATM appeared to have four options:

- They can travel further to access a free-to-use ATM
- They can stay closer to home but pay a charge to access their cash through an ATM
- They can choose not to access their money

- They can give their ATM card to a third party who can access a free-to-use ATM on their behalf

Our research participants appeared to mix and match these choices depending on the amount of money in their account, whether their need for cash was an emergency or routine, and their personal preference on the day.

“So it’s a matter of weighing the pros and cons and saying, ‘Do I desperately need that, or have I got loose change at home I can rummage through and go down the shop with the 10p, 2p and 5ps.’”

Woman, living with her partner and three children in Tower Hamlets

Our research suggests that each of these options has one or more impacts on consumers who are affected:

Impact of travelling further to use a free-to-use ATM

When they travel further to avoid paying a fee at an ATM:

- They may incur **additional travel costs** over and above their intended or usual practice, particularly if they have to zigzag between out of service machines.

“I had to pay £1.94 to get a tenner or I’d have a 20 minute walk in the rain... It’s sickening.”

Man aged 71, living in Birkenhead with his wife and son

- They may incur **additional time costs** of travelling further, particularly if having to zigzag between out of service machines.

“Well I once had a case when that one [nearest free-to-use ATM] wasn’t working, and the Post Office wasn’t working, and I actually had to walk ... to get it... it took me half an hour.”

Man aged 71, living in Birkenhead with his wife and son

- They may incur **physical, mental or emotional stress** if they have impaired mobility or caring responsibilities e.g. taking additional people with them, or having to provide other care, particularly if having to zigzag between out of service machines.

“She [respondent’s five month old baby] was born prematurely. When she did eventually come out of hospital she had oxygen on her. It was difficult. I really hated taking her out but I have to, because I’ve got no-one to leave her with... It’s a twenty minute walk to a free-to-use cashpoint... It’s quite hard when your daughter has all this stuff on her, and I push her about with her tank. It’s not easy.”

Single parent, living in Tower Hamlets

Impact of using a pay-to-use ATM closer to home

When they pay a surcharge to access their cash:

- Our research participants were often **paying a significant proportion of their already limited income to access cash**, even when they carefully limited the number of withdrawals from a pay-to-use machine to the minimum, which was not always possible.

“In Roman Road I had to use it [pay-to-use ATM] in an emergency. It cost me £2.99. That’s the most I’ve used on a pay cash machine ever.”

Woman in receipt of Job Seekers Allowance, living in Tower Hamlets

“Well if we didn’t [use a pay-to-use ATM] we’d save ourselves at least £20 per week.”

Single parent, living in Tower Hamlets

“When I add up all my monthly charges it comes to about £33 a month.”

Woman, living in Tower Hamlets

“One day I looked on my statement. I think I spent about £15 in a month on cash points alone.”

Single parent, living in Tower Hamlets

This research identified people who, due to the frequency of their withdrawals from pay-to-use ATMs, were regularly incurring charges ranging between £3.70 and £9.25 per week from income which was largely, if not entirely, from benefits. These amounts escalate rapidly when they were making regular, frequent use of a pay-to-use ATM which was a common scenario among our research participants.

Mary, a pensioner in her seventies, receives a state retirement pension each week and Disability Living Allowance on a monthly basis. She is unable to walk to her nearest free-to-use ATM and so withdraws money from a pay-to-use ATM, located in a shop very close to her flat, twice a week – once at the beginning of the week to pay essential bills and again at the end of the week to pay for her shopping. She doesn’t like to withdraw all her income in one go because she is worried she’d run out of money and be left with nothing over the weekend. She pays a charge of £1.80 each time she uses the ATM.

Jackie, whose income cycle from JSA, Child Tax Credit and Child Benefit, is highlighted above, usually withdraws cash from an ATM three times a week, but on occasions makes four withdrawals per week. All of these withdrawals are a pay-to-use ATM which charges £1.75 per transaction, amounting to £5.25 per week on an average week, and occasionally as much as £7 per week.

Moira, whose income cycle from IS, DLA, Carers Allowance, Child Benefit and Child Tax Credit is also highlighted above, makes five withdrawals from a pay-to-use ATM per fortnight. She pays a charge of £1.85 for each withdrawal, amounting to £9.25 per fortnight.

- In instances of very small balances and low value withdrawals, a **significantly large proportion of the remaining balance is lost in charges** to access the cash e.g. a £2 charge on a £12 balance. This impacted heavily on our research participants whose budgets were too finely balanced to afford the flexibility to take out a larger amount of money in order to reduce the impact of the charge.

“No, I’ve only wanted £10 so I wouldn’t get more out because it’s charging me. I’d just get what I needed.”

Man aged 71, living in Birkenhead with his wife and son

- There is also an **opportunity cost of income lost to charges** that can result in reduced spending on essentials among our research participants.

“For me some bills you can’t pay with your card. You’ve got to pay with cash, which is really annoying because right by mine the only cash machine there is charges you and it’s £1.95 and if I’ve just got enough in my bank account to put £20 gas, £20 electric then I’ve got to put that £1.95 on as well. You know what it’s like when you’ve just got enough for what you’re paying your bank.”

Single parent with one child, living in Birkenhead

“You also have to think, if you pay that X amount of times what are you losing out on?... If I pay that X amount of times I’m losing out on a meal for myself because I’d rather feed the baby.”

Single parent, living in Tower Hamlets

“If I go [to a pay-to-use ATM] 3 or 3 times, that’s £4, £6. That’s bread, eggs, potatoes... I can get two chickens in Tesco’s for that money.”

Single parent, living in Tower Hamlets

“[£15 a month spent on ATMs] That’s two and a half weeks rent. That would pay my phone bill. If I put £18 electricity [on my prepayment card]... that would last me a month.”

Single parent living, in Tower Hamlets

- Where account balances fall under the total sum of £10 plus the charge, the account holder is **unable to access the remaining balance in their account**; for cash budgeters this prevents any expenditure including in times of crisis.

“If you’ve got £10, you can’t get that £10 out, isn’t it? It’s [the ATM charge], what, say £2 out of £10, leaves us £8 so you can’t get it out of the machine. It is annoying...”

Single parent with three children, living in Tower Hamlets

“If you’ve got £11 something [in your account] then you’ve got to pay £2 to get your money out. Then you aint allowed to take it out because it’s took £2, so you’ve got £10 sitting there you can’t touch.”

Young man, living with his father in Birkenhead

- The need to pay a charge to access income can **create an incentive to withdraw more than is needed** in order to reduce the need to pay a further charge when making cash withdrawals at a later date. Among our research participants, this could disrupt careful money management and increase the risk of running out of money before the end of their income cycle.

“What’s the point in paying £2 if you’re only going to take a tenner out? It’s not worth it.”

Woman living, in Tower Hamlets

“Say you’ve taken £10, you’re buying something. You realise, ‘No, I needed £20’, you just have to go back [and pay again]. You take the amount you don’t need... And by the time you realise... especially if the kids look in your purse and say ‘Mummy, you’ve got money!’ They don’t understand...”

Woman, living with her partner and children in Tower Hamlets

In addition, a number of respondents to our research expressed a strong preference for ATMs that dispensed £5 notes but could not access these low denomination notes from pay-to-use ATMs. However, they also acknowledged the futility of withdrawing this amount from a pay-to-use ATM, even if it were available, given the amount they would lose in charges.

In our research, those whose money management relied on paying essential bills as soon as they collected their income through using ATMs collocated to bill payment facilities, to avoid the risk of over-spending, were at a higher risk of having to use a pay-to-use machine to access their cash, due to the propensity for ATMs within local corner shops to be pay-to-use machines.

“I always notice people hanging around cashpoints as well... I don't like taking out lots of cash so people see I've just withdrawn. You don't know who's looking. I use them [pay-to-use ATM] I've been using them a lot now because they accept my bills as well... So I pay my rent and little bits... About 2-3 times a week I'm using it.”

Single parent, living in Tower Hamlets

- Where our research participants had failed to calculate accurately the impact of the charges on their balance (e.g. they assumed the charge would be taken from the amount withdrawn, or they forgot to include a previous charge when next calculating their balance), this **can lead to penalty charges** when an account goes overdrawn.

“I took a tenner out, but then it's really £12. I'd think I still have £10 left and I'd go buy something for £10, then I'm overdrawn and... I've got to pay for my overdraft... If you're in your overdraft it's something like £1 a day you're in it, but I didn't know I've been in it for 2 weeks. Then I've gone and done it over and over again so it's just built up.”

Single 21 year-old male, living in Birkenhead

- Many of the people who took part in our research also reported **feeling angry and stupid** for paying the charges.

“You're just giving it away for nothing and you're not buying anything from them, so you're not getting anything back, you're just giving them £2-£3!”

Single 21 year-old female, living in Birkenhead

“I've been angry at myself for being so stupid... I just feel I've been ripped off and robbed. I just feel you're being exploited...”

Man aged 71, living in Birkenhead with his wife and son

Some also felt strongly that they were being exploited because they were poor. This was a particular issue for research participants living in Tower Hamlets, who were acutely aware that they were living in close proximity to very wealthy areas, which they believed were far better served with free-to-use ATMs. This prompted the following exchange during one of the Tower Hamlets focus groups.

Everyone should be treated equally, regardless of where they are in society. Highest or low level, you should be treated equally regardless, and I don't believe we are. I think we're all treated on different levels because we've got less than others.

Certain areas charge more than others, easily. If you've got money, probably if you're in a money area with someone with money, the cashpoints don't charge the same. It's probably completely different isn't it?

Not being funny, we're in a ghetto. This is nothing but a slum.

This is what it is. They're going to take advantage of people in the slums through charges, through higher rents, anything that's going to cost you extra money to get you out of the slum, to knock down the old, build up the new, to get the middle class in. Because it's all about regeneration. They do it through cashpoints, yes. They do it through council tax and bills. They're doing it through everything. That's what they're doing, just targeting the poorer areas.

It's area. They go to high crime areas because it's one way of getting your money back where it's been lost in another way.

People don't withdraw their money

Our research showed incidences where people did not withdraw any money; in other words, they neither travelled further to reach a free-to-use to access ATM nor used a pay-to-use ATM closer to home. This was usually because:

- They chose not to travel and/or pay on principle as they viewed the money in their account as already theirs; people reported finding it unfair that they should have to pay to access their own money.
- They were unable to travel, either due to mobility or time constraints, and may not be able to pay the fee.

This scenario has an **opportunity cost** of having to forego whatever activity or purchase the cash withdrawal was intended to support, such as paying for essentials, paying a bill or making an essential trip (e.g. to a hospital appointment or Job Centre Plus appointment). There is sometimes an additional, usually hidden, cost to society, e.g. of having to reschedule a missed appointment.

“I missed my MRI scan because of it... The cashpoint weren't working and I didn't have enough in there to draw it out because of charges so I couldn't go to the appointment.”

Woman, living in Tower Hamlets

Being unable to withdraw money when it is urgently needed can also have significant **personal and emotional costs.**

A young woman living in Tower Hamlets with her mother, who is disabled and has serious mental health problems, tried to top up her electricity pre-payment card late one night at a local petrol station but was unable to use her debit card because the retailer's card machine was broken. She was too scared to walk to her nearest free-to-use ATM because she would need to walk through an area that she considered to be very dangerous.

“I didn't risk it. I thought, 'No, I'd rather go throughout the whole night without electricity rather than risking my life going down Tesco's or anywhere. [If anything happened] My mum just waiting by the door and I'm not going to return. All these little crimes they do make a very big impact on people's lives round here... I always think, 'If I'm not here what's my mum going to do?... You've just got yourself. I always think about my mum before anything else.'”

As a result, the woman and her mother were forced to spend the night without any electricity. Being in darkness for the whole night significantly aggravated her mother's mental health problems, which meant that neither she nor her daughter were able to sleep that night.

“I had to go throughout the whole night without electricity. It was really hard because obviously my mum she suffers quite a lot. She suffers from mental health problems as well. It was a very terrible night. It was really, really terrible. I had work the next morning as well, so looking after her, going to work without sleeping, working with more ill people, it was really, really hard.”

Allow a third party to withdraw cash from a free-to-use ATM on their behalf

Some people reported asking a relative, friend or neighbour to withdraw money for them if they knew the person would be travelling to an area with a free-to-use ATM. This involved handing over both the card and the PIN number. Although people generally only give cards to people they believe they can trust, this can, nevertheless, **compromise account security.**

Chapter 4: Conclusions and Recommendations

Across England and Wales 84% of the general population currently live within 1km of a free-to-use to access ATM. This data, coupled with the fact that most people travel further than 1km on a regular basis for work or pleasure, indicates that the majority of the population has good access to free-to-use ATMs, and that their use of pay-to-use ATMs is choice-based.

Despite this high level of access, the research shows that there are still 28,996 small communities across England and Wales that are more than 1 km away from a free-to-use ATM. Many of these will be in highly rural areas where residents would expect to travel to the nearest shop. Others will have highly mobile populations who can travel to access an ATM with little difficulty. The communities which cause the most concern are those whose population statistics suggest that the residents are not mobile and thus cannot travel easily to access facilities. Benefit dependency is a good indicator to identify such immobile communities.

Of these initial 28,996 communities, the data identify 957 small communities in England and Wales where working age benefit dependency ratios are 25 per cent or over that are more than 1km from the nearest free-to-use cash point. Of these, 138 small highly benefit-dependent communities are more than 2km from a free-to-use cash point, whilst 10 are more than 5km away.

Within these communities, people with specific mobility constraints, arising from physical or health issues or from caring responsibilities, are most likely to be affected by a lack of free-to-use ATMs. The data indicate that approximately 525,000 benefit-dependent consumers live more than 1km away from a free-to-use to access ATM in England and Wales, and are thus at potential risk of having restricted choice over whether or not to pay to withdraw cash. And for those with the most restricted mobility, even a distance of 1km may prove too far to navigate without considerable difficulty.

A further significant indicator of detriment is high benefit dependency within residential areas with little commercial activity and limited transport connections to busier areas. Residents whose livelihoods do not create opportunities to travel regularly to other areas will be limited in their choices of where to access cash, and will be affected more by surcharges if the only accessible ATM is a pay-to-use machine.

ATM reliability has a significant impact on users' perceived and actual detriment. Where there is only one free-to-use ATM in an area with high benefit dependency, the ATM is perceived to have higher usage and consequently higher frequencies of periods when the machine is out of service due to running out of cash. Residents build up a picture of which machine will be out of service and eventually discount that machine from their planning to avoid a wasted journey.

Actual and perceived security levels have a similar impact on residents' willingness to travel to or use specific machines. Where a machine is located in an areas considered unsafe, residents discount that ATM from their planning, due to an increased fear of physical crime or fraud. Similarly, where a journey to a free-to-use ATM requires travel through an area considered dangerous, residents often choose to avoid the journey, despite having to forego the opportunity to use a free-to-use ATM.

In both these scenarios, of periods when the ATM is out of service or located in unsafe sites, participants in our research described having to use a pay-to-use machine in order to access cash and to access it safely, despite their strong preference being to be able to access cash for free. These users appear to have little choice when accessing cash through a pay-to-use ATM.

This research identified people who, due to the frequency of their withdrawals from pay-to-use ATMs, were regularly incurring charges ranging between £3.70 and £9.25 per week from income which was largely, if not entirely, from benefits. These amounts escalate rapidly when they were making regular, frequent use of a pay-to-use ATM which was a common scenario among our research participants. Thus for some users on the lowest incomes there is a significant financial detriment arising from the need to use pay-to-use ATMs.

Recommendations

In addressing these issues, LINK should consider the following key recommendations:

- LINK should prioritise resolving those 957 areas identified as having high benefit-dependent communities which are more than 1km from a free-to-use ATM.
- It is imperative that low income consumers managing on strict cash budgets are not incentivised to withdraw more or less cash than they need in order to avoid charges and thus support responsible budgeting. This would include maximising the benefit provided by the collocation of free-to-use ATMs and bill payment terminals.
- POCA users would greatly benefit from increased access to ATMs through the LINK network. The Post Office and LINK should consider how best to provide this access, and the government should consider mandating the Post Office to provide such access upon any renewal of the POCA contract.

This research highlights issues which are beyond LINK's scope of influence and thus can only be addressed by the financial services sector as a whole:

- People with specific access needs should be considered as having an essential need to access cash, e.g. severely restricted mobility, those with continual sole caring obligations. The industry should find ways to enable such customers to gain free-to-use access to their cash despite their individual mobility limitations.

- For low income households, effective money management requires access to the final few pounds in the account. The industry should explore how it can support those managing on tight incomes to access the final small balance where the application of the charge brings the balance below the minimum withdrawal amount (£10 or £5).
- Consumers expressed a desire to be able to access very small amounts of money e.g. £2-3, when this was the remaining account balance. Irrespective of any withdrawal charge, the industry should seek innovative ways to help consumers access the last few pounds in their account.

Initial analysis indicates three types of possible solutions for LINK and the rest of the industry to consider:

- Geographical access solutions for specific communities. Such solutions could initially target the 957 small communities in England and Wales where working age benefit dependency ratios are 25 per cent or over, yet the nearest free-to-use cash point is more than a kilometre away. Consideration should also be given to ensuring continuous and safe free-to-use access to cash in communities with high benefit dependency where there is currently only 1 free-to-use ATM.
- Technological solutions which could benefit all users. Such solutions would involve changing the services provided through ATMs and/or the information provided at the time of use, for example to give customers both accurate information about the cost of the service, and the impact of the cost on the customer's live balance.
- Technological solutions for identifiable users with specific characteristics. Such solutions could be applied to the accounts of consumers identified as vulnerable or who would be likely to experience significant detriment due to e.g. limited mobility or carer responsibilities.

Research Participants' views on ATM location

The consumer research within this report also provides intelligence to inform decisions about the safety characteristics which would enable consumers to make better use of free-to-use ATMs. Whilst the location of ATM sites is not solely LINK's responsibility, it would be helpful if members could draw on these findings when considering new locations for ATMs. Consumers expressed a strong preference for free-to-use ATM machines located within safe, busy areas which consumers naturally frequent within their daily routine e.g. shops with long opening hours where they may also pay bills, manned sites e.g. stations, petrol stations, schools, hospitals, community centres. Specific desirable safety features requested included:

- Inside a 24 hour access facility or within sight of 24 hour CCTV
- Sheltered from passers-by

- In well-lit areas
- Not on streets with known high risk of crime
- Well-maintained so no risk of being subject to fraudulent activity
- Well-stocked with cash at all times, including £5 notes

Whilst the overall level of ATM provision in England and Wales has increased significantly over the past decade, and clearly meets the needs of the general population, this research has demonstrated that there are identifiable areas of unmet needs which give rise to physical and financial detriment for those on the lowest incomes and with specific limitations on their mobility. The industry, through the LINK scheme, has already put in place a well-researched and effective financial inclusion programme; this research and its recommendations is intended to make a positive contribution to deepening the impact of that work, ensuring fair and reasonable access to cash for all in our society, including the most vulnerable.

ⁱ Treasury Committee, *Cash Machine Charges* HC 191 2004-05

ⁱⁱ HM Treasury, *Financial Inclusion: the way forward*, March 2007 p29

ⁱⁱⁱ Payments Council 2013 UK Cash & Cash Machines: Trends in cash payments, cash machine deployment and usage, and other forms of cash acquisition

^{iv} Payments Council 2013 UK Cash & Cash Machines: Trends in cash payments, cash machine deployment and usage, and other forms of cash acquisition

^v LINK Scheme website:

http://www.LINK.co.uk/Financial_Inclusion/freeaccesstocash/Pages/Targetareas.aspx last accessed 26/08/2014

^{vi} Payments Council, *Access to Cash, 2013*:

http://www.paymentscouncil.org.uk/files/payments_council/our_projects/access_to_cash_quantitative_report.pdf

^{vii} <http://www.theguardian.com/society/2014/jan/01/poor-people-free-to-use-cash-machines>

^{viii} http://collections.europarchive.org./tna/20081222192840/http://www.hm-treasury.gov.uk/d/atm_working_group_final.pdf

^{ix} http://www.paymentscouncil.org.uk/files/payments_council/access_to_cash_qualitative_report.pdf

^x the quantitative results in this report are only for England and Wales because the smallest statistical area in Scotland is not consistent with that of England and Wales

^{xi} Tooley Street Research converted latitudes and longitudes in the ATM dataset obtained from LINK to metric grid references using the conversion tool on the Ordnance Survey website. A list of Output Areas and the grid reference of the Population Weighted Centroid of each Output Area (roughly 125 households) was obtained from the Office for National Statistics (ONS) Geoportal site. This allowed us to calculate the metric distance between each Output Area and each ATM, and identify the nearest free-to-use ATM. To compare with levels of benefit, data on the number of people in receipt of out-of-work benefits in each Lower Layer Super Output Area (LSOA) in May 2012 was downloaded from the DWP website and merged with mid-2012 population estimates to calculate the proportion of people aged 16 to 64 on an out-of-work benefit in each Output Area.

^{xii} Payments Council 2013 UK Cash & Cash Machines: Trends in cash payments, cash machine deployment and usage, and other forms of cash acquisition

^{xiii} http://www.paymentscouncil.org.uk/files/payments_council/access_to_cash_qualitative_report.pdf

^{xiv} See for example, O'Reilly N, Three Steps to Inclusive Banking, National Consumer Council, 2006; Ellison A, Whyley C and Forster R Realising banking inclusion: the achievements and challenges, HM treasury, 2010; Policis and Toynbee Hall, Qualitative Research on Access to Cash, Payments Council, 2013

xv Payment of pensions and benefits: A survey of social security recipients paid by order book or girocheque

Elaine Kempson and Claire Whyley 2001

^{xvi} Ellison A, Whyley C and Forster R Realising banking inclusion: the achievements and challenges, HM treasury, 2010