

## **Northern Ireland Assembly – Committee for Finance**

### **Inquiry into the Northern Ireland Banking and Financial Services Landscape**

#### **Written Submission – Financial Conduct Authority**

**May 2025**

#### **1. ABOUT THE FINANCIAL CONDUCT AUTHORITY**

- 1.1. The Financial Conduct Authority (FCA) regulates financial services firms in the UK, setting standards for firms to meet and holding them to account if they don't. We regulate the conduct of around 42,000 businesses, including almost 1500 regulated firms in Northern Ireland.
- 1.2. We play a critical role in enabling the success of the financial services sector in the UK, with a large and growing remit. Our perimeter determines what we do and don't regulate and is set by the UK Government and Parliament.<sup>1</sup>
- 1.3. We are an independent public body funded entirely by the firms we regulate and are accountable to HM Treasury and the UK Parliament.
- 1.4. Our strategic objective is to make sure relevant markets function well and our operational objectives are to: protect consumers; protect the integrity of the UK financial system; and promote effective competition in the interests of consumers. Since 2023, we have a secondary objective to facilitate the international competitiveness and growth of the UK economy in the medium to long term (subject to alignment with international standards).
- 1.5. We are a regulator for the whole of the UK. We work across the UK with a head office in London, offices in Leeds and Edinburgh, and colleagues based in Northern Ireland and Wales. Our Devolved Nations Team plays a key role in engaging with devolved administrations, legislatures and other stakeholders to ensure their needs and views are represented.

#### **2. OUR STRATEGY**

- 2.1. In March, we published our new strategy looking ahead to 2030, to ensure that we continue to enable a fair and thriving financial services market for the good of consumers and the economy.<sup>2</sup> Our strategy sets out how we will work over the next 5 years to deepen trust, rebalance risk, support growth and improve lives, through:
  - 2.1.1 **Being a smarter regulator**; predictable, purposeful and proportionate. Improving our processes and embracing technology to become more efficient and effective.
  - 2.1.2 **Supporting growth**, by enabling investment, innovation and ensuring the continued competitiveness of our world-leading financial services.
  - 2.1.3 **Helping consumers** navigate their financial lives by working with industry to boost trust, product innovation and ensuring the right information and support is available.

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<sup>1</sup> Our Perimeter Report <https://www.fca.org.uk/publications/corporate-documents/perimeter-report>

<sup>2</sup> Our Strategy 2025-2030 <https://www.fca.org.uk/publication/corporate/our-strategy-2025-30.pdf>

- 2.1.4 **Fighting crime**, focusing on those who seek to use the fact they are regulated to do harm. We will go further to disrupt criminals and support firms to be an effective line of defence.
- 2.2 We have since published our annual work programme, which details what we will deliver in 2025/26 on our 4 strategic priorities.<sup>3</sup>

### **3. NORTHERN IRELAND'S BANKING ECOSYSTEM**

- 3.1. Through our Retail Banking directorate, we oversee the conduct of banks, building societies and non-bank lenders. We deliver policies and supervision strategies in line with our statutory objectives.
- 3.2. We understand that the retail banking sector has a national importance, impacting almost every individual across the country and performs a vital role for the UK economy. We also recognise that the retail banking market in Northern Ireland has distinct features and challenges.
- 3.3. With the implementation of the FCA's new strategy, we have established a dedicated team within Retail Banking to oversee the Northern Ireland based banks, which means greater focus on Northern Ireland-specific issues and more proactive engagement with Northern Ireland firms and wider stakeholders.
- 3.4. 9 major banks and building societies collectively operate over 100 branches across Northern Ireland. We seek to ensure that retail banks and building societies are trusted, helping consumers make the most of their money – including by supporting access to cash and banking services – reflecting the needs of consumers and communities in Northern Ireland.
- 3.5. There is a higher prevalence of credit unions in Northern Ireland relative to other parts of the UK. There are 655,236 adult members of credit unions in Northern Ireland.<sup>4</sup> We have ongoing engagement with the Department for the Economy on their work on the development of legislation concerning credit unions.

### **4. ACCESS TO CASH**

- 4.1. While the increasing range of digital payment options can make life easier, cash remains vital for many – particularly those with characteristics of vulnerability and small businesses. Our Financial Lives 2024 survey suggests 0.1 million adults in Northern Ireland (8%) had paid for everything or most things in cash in the 12 months to May 2024 (down from 13% in 2022).<sup>5</sup> This is higher than in the UK as a whole, where 5% of adults (2.6 million) are heavy cash users (down from 6% in 2022).
- 4.2. Most people in the UK have good access to cash. However, as cash usage has declined so too has the number of cash access facilities. For example, between 2014 and 2024, the total number of bank and building society sites fell by 15% in Northern Ireland and 46% in the UK (ONS<sup>6</sup>). It is

<sup>3</sup> FCA Annual Work Programme 2025/26 <https://www.fca.org.uk/publications/business-plans/annual-work-programme-2025-26>

<sup>4</sup> Bank of England Credit union quarterly statistics - 2024 Q4  
<https://www.bankofengland.co.uk/statistics/credit-union/2024/2024-q4>

<sup>5</sup> FCA Financial Lives 2024 survey <https://www.fca.org.uk/financial-lives/financial-lives-2024>

<sup>6</sup> ONS data: Office for National Statistics, Business activity size and location, via the HYPERLINK

"<https://www.nomisweb.co.uk/Default.asp>" [NOMIS database](https://www.nomisweb.co.uk/Default.asp) (HYPERLINK

"<https://www.nomisweb.co.uk/query/select/getdatasetbytheme.asp?theme=49>" [UK Business Counts variable](https://www.nomisweb.co.uk/query/select/getdatasetbytheme.asp?theme=49)) – this data is based on VAT and PAYE returns of 'local units' (also referred to as individual sites or workplaces) in the Bank (Standard Industrial Classification (SIC) code 64.19/1) and Building Society (SIC code 64.19/2) industries – some of these local units will not be branches

- important the impact of any change is carefully managed and individuals, businesses and community groups who rely on cash are not left behind.
- 4.3. It is in this context that we were given a standalone cash purpose through the Financial Services and Markets Act 2023 ("FSMA"), which tasked the FCA with 'seeking to ensure reasonable provision' of cash access services, meaning cash deposit and withdrawal services for personal and business current accounts. This includes access to both notes and coins, and access that is free of charge for consumers with personal current accounts.
- 4.4. Our new rules came into force on 18 September 2024.<sup>7</sup> They require banks and building societies designated by the UK Government to assess and fill gaps, or potential gaps, in cash access provision that significantly impact consumers and businesses when changes are made to existing services or upon community request.
- 4.5. Our rules are channel neutral and allow firms to deliver cash services through a variety of different facilities which could include, for example, ATMs, Post Offices, automated deposit machines and banking hubs. However, firms must ensure their cash facilities have the features required to meet communities' needs. Our new rules are already having an impact in communities across the UK, where there are, or will be, significant gaps in provision. Communities which were previously assessed under the voluntary scheme have been reassessed under our new rules, and some will be getting additional or upgraded cash access services as a result.
- 4.6. At the time of writing, since the rules took effect, LINK, which manages the UK's cash access and ATM network, has published 21 assessments which look at communities in Northern Ireland – there have been around 900 across the whole UK. This includes 6 assessments carried out in direct response to community requests in Northern Ireland. As a result of these assessments:
- 4.6.1. 2 banking hubs have been recommended in Northern Ireland (on top of the 5 hubs already open or recommended before our rules came into force), out of a total of 225 across the whole UK.
  - 4.6.2. 3 other cash solutions have been recommended in Northern Ireland, out of a total of 166 across the whole UK.
- 4.7. While the regime is still in its infancy, we would expect to see additional cash services be recommended elsewhere in Northern Ireland as more assessments are undertaken, as we have seen elsewhere in the UK.
- 4.8. Our powers do not extend to the wider banking services offered by bank branches and banking hubs, and are not directed at stopping branch closures. It remains a commercial decision for firms to maintain bank branches and ATMs, or open facilities like banking hubs. Where firms close branches, we will continue to focus on ensuring good outcomes for customers and the provision of suitable alternatives where appropriate, while continuing to encourage firms to invest in helping customers move to online banking and digital payment services. Our branch closure guidance<sup>8</sup> and Consumer Duty<sup>9</sup> remain in force and will help protect

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<sup>7</sup> PS24/8: Access to cash <https://www.fca.org.uk/publications/policy-statements/ps24-8-access-cash>

<sup>8</sup> Finalised Guidance Branch and ATM closures or conversions <https://www.fca.org.uk/publication/finalised-guidance/fq22-6.pdf>

<sup>9</sup> PS22/9: A new Consumer Duty <https://www.fca.org.uk/publications/policy-statements/ps22-9-new-consumer-duty>

consumers by ensuring firms consider the wider impacts of branch closures on their customers.

- 4.9. We are currently undertaking work to improve our understanding of consumers' needs when it comes to wider banking services beyond cash. We also continue to encourage firms to consider providing community banker support alongside cash services. We know banking hubs are welcomed in communities, and welcome the steps being taken by industry to widen their service offering.

## **5. ACCESS TO CASH: RURAL AND BORDER CONTEXTS**

- 5.1. Our rules require firms to consider who is, or would be, affected by gaps when drawing up the boundaries of the local area being assessed. This could include residents of surrounding smaller settlements for which a larger town is a hub – who may not have fallen within the fixed radius drawn under the previous voluntary scheme.
- 5.2. When assessing existing provision, firms must consider factors such as actual journey times and costs for people to get to their nearest cash facility, taking into account the local geography. In Northern Ireland, firms may also need to consider proximity to the border – some communities may rely on cash services in a town further away if their nearest town is in the Republic of Ireland where a different currency is used.
- 5.3. We expect firms to identify a deficiency in cash access where communities face unreasonable travel times or costs to reach the nearest cash access facility, even if it lies within the relevant 1- or 3-mile distance as the crow flies.
- 5.4. Our regime also empowers communities. Firms must allow communities to make cash access requests where they see gaps in provision, publish information on assessment processes and outcomes, and carry out reviews upon community request when outcomes are inappropriate. When closing their own facilities, firms have to carry out these assessments, publish outcomes, allow for reviews, and deliver any required additional cash services before the closure can take place.
- 5.5. We recognise that in border areas in Northern Ireland, people from the Republic of Ireland may regularly cross the border, and place additional demand on cash access services in Northern Ireland. This may be relevant to designated entities' consideration of facilities' capacity – they must look at this in an assessment when reviewing whether existing facilities meet local needs.
- 5.6. We also recognise some people in Northern Ireland will also rely on euros. However, our powers extend only to banknotes issued by the Bank of England, or an authorised bank in its capacity as an issuer of banknotes in Scotland or Northern Ireland, and to coins made by the Royal Mint. Our powers do not extend to euros.

## **6. FINANCIAL INCLUSION**

- 6.1. We play a key role in supporting greater financial inclusion throughout the UK through the use of our regulatory tools to make markets work well and protect consumers. We also encourage the use of our convening powers to find joined-up solutions where issues fall outside our remit. We want consumers to be able to access useful and affordable products and services which meet their needs.

- 6.2. We are committed to continuing to work with others to enable consumers to build their financial resilience. We are undertaking a range of work to support financial inclusion, including on access to banking services, workplace savings and our premium finance market study. We have also worked with Fair4All Finance to deliver a series of affordable credit workshops, supported Fair4All Finance's pilot of the No Interest Loan Scheme through our regulatory sandbox and held a Financial Inclusion TechSprint<sup>10</sup> last year, where we sought innovative solutions to access issues.
- 6.3. We are supportive of the creation of the UK Government's National Financial Inclusion Committee and Strategy in order to create a more coherent, evidence-driven approach to financial inclusion. We are playing our part, sitting on the main committee, each of the subcommittees and are also actively engaging HM Treasury colleagues on the other areas of focus (problem debt, savings and financial capability/education).
- 6.4. We support HM Treasury's continued engagement with devolved governments and other devolved stakeholders to ensure appropriate recognition of the different jurisdictional context, issues and solutions.

## **7. RESEARCH AND KEY STATISTICS**

- 7.1. Cash usage: Our Financial Lives Survey 2024 shows 0.1 million adults in Northern Ireland (8%) were heavy users of cash, i.e. they had used cash to pay for everything or most things over the 12 months to May 2024.<sup>11</sup> The proportion of heavy cash users is higher than in the UK as a whole – 2.6 million (5%). This figure is also higher amongst unemployed adults (11%) and adults with a household income of less than £15k (11%).
- 7.2. Bank branch usage: Our Financial Lives Survey 2024 shows that 26% of people in Northern Ireland with a day-to-day account used a specific bank branch regularly (at least once a month) over the 12 months to May 2024. Regular branch usage is higher in Northern Ireland than the UK as a whole – 18%. Across the UK, adults most likely to use a branch regularly in the 12 months to May 2024 included the digitally excluded (40%), heavy cash users (37%), adults aged 75+ (30%) and adults in financial difficulty (24%).<sup>12</sup>
- 7.3. Branch closures: Between 2014 and 2024, the total number of bank and building society sites fell by 15% in Northern Ireland and 46% in the whole UK.<sup>13</sup>
- 7.4. Of 67,137 cash access points across the UK, 4,265 (138 in Northern Ireland) are large personal current account (PCA) provider bank and building society branches, 11,692 (493 in Northern Ireland) are Post Office branches and 49,513 are ATMs (1,742 in Northern Ireland).<sup>14</sup>

<sup>10</sup> Financial Inclusion TechSprint <https://www.fca.org.uk/firms/techsprints/financial-inclusion-techsprint>

<sup>11</sup> FCA Financial Lives 2024 survey <https://www.fca.org.uk/financial-lives/financial-lives-2024>

<sup>12</sup> FCA Financial Lives 2024 survey <https://www.fca.org.uk/financial-lives/financial-lives-2024>

<sup>13</sup> ONS data: Office for National Statistics, Business activity size and location, via the HYPERLINK

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<sup>14</sup> Access to cash coverage in the UK 2023 Q2 (July 2024) <https://www.fca.org.uk/publications/data/access-cash-coverage-uk-2023-q2>

- 7.5. Access to cash coverage: Our figures estimate that as at Q2 2023:<sup>15</sup>
- o 99.3% of the urban Northern Ireland population are within 1 mile of a free-to-use cash access point offering withdrawals (the same percentage as the UK urban population).
  - o 97.5% of the rural Northern Ireland population are within 3 miles of a free-to-use cash access point offering withdrawals (compared to 98.6% for the UK rural population).

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<sup>15</sup> Access to cash coverage in the UK 2023 Q2 (July 2024) <https://www.fca.org.uk/publications/data/access-cash-coverage-uk-2023-q2>