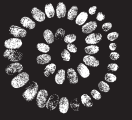


RUNNYMEDE



Who Pays to Access Cash?

Ethnicity and
Cash Machines



A Runnymede Report by
Omar Khan and Ludi Simpson

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Runnymede Financial Inclusion Programme

Who Pays to Access Cash?: Ethnicity and Cash Machines

Omar Khan and Ludi Simpson

Contents

Foreword	2
Key Findings	3
1. Introduction	3
2. Background and Initial Analysis	5
3. Cash Machine Location and Ethnic Equity	7
4. Ethnic Composition of Areas Targeted by the Working Group	12
5. Conclusions	13
Endnotes	14
Bibliography	14
Appendix: Data Tables for Figures	15

Foreword

An air of uncertainty hangs over the finances of almost all of us, with standstill incomes for some and job losses for many, increases in the prices of some basic goods and charges for banking and other things we once took for granted as being free. Yet it's easy to forget that many of our fellow citizens have been facing severe difficulties before recent times. And the most vulnerable now face worse difficulties than ever: the constraints under which banks now operate are likely to exacerbate the challenges which many financially excluded people already face with increasing numbers of banks and other providers refusing to offer services to those deemed 'too risky'. Of course the financially excluded do not form one homogenous group; the problems are as diverse as the population but it's clear that many from Black and minority ethnic backgrounds face particular difficulties merely by dint of their race or ethnicity. This report looking at cash withdrawals – one of the most basic of financial transactions – provides an insight into the difficulties facing Britain's ethnic minorities in the sphere of personal financial services. The findings reveal that time and again BME communities suffer worse service provision than the majority. This is a welcome report which deserves a response from banks, and their regulators, from community organizations and all those concerned with ensuring that all individuals, regardless of their background, can participate fully in society.

Andrew Barnett
Director
Calouste Gulbenkian Foundation (UK)
March 2009

Key findings

- The classification of areas by ethnic diversity divides the nation's access to free cash machines more than the other classifications we have analysed, including an area's level of deprivation
- Areas with large BME populations have worse access to free cash machines
- Local authorities (LAs) could work together to learn from best practice
- Policy is not currently effectively targeting diverse areas
- If people in areas without free cash machines always used their nearest fee-charging machine they would pay an extra £120 pounds per year in charges; BME people are more likely to live in these areas
- BME people are paying £14.50 more per annum to access cash

1. Introduction

The ongoing recession in the UK has highlighted the issue of access to financial products and services. As more and more people struggle to access credit, see their savings (including pensions) reduced, and perhaps cut back on insurance products, there is a significant danger that those who already experience reduced access to financial products and services will be forgotten in the attempt to stabilize the economy, encourage financial institutions to release credit, and provide financial relief for everyone.

In policy debates, the question of access to financial products and services is understood under the rubric of 'financial exclusion'. This may once have seemed a technical question, but the current economic climate has raised the profile and arguably the salience of these issues. Runnymede has previously argued that to understand the causes and bad effects of reduced access to financial products and services we must appreciate how financial inclusion impacts a person's well-being and capacity to participate in British society as an equal.¹

As we also pointed out, there is virtually no research, data collection or analysis on levels and experiences of financial exclusion by ethnicity, despite growing research and policy agendas aimed at tackling financial exclusion. Policies to tackle financial inclusion among Black and minority ethnic (BME) communities will be effective only if they accommodate the diverse circumstances and preferences of different groups.

Pursuant to these aims, this research considers the relationship between ethnicity and cash machine location. Access to cash is an important indicator of financial inclusion, and it is arguably the most prominent everyday financial interaction for most people in Britain. Cash machines are of course not evenly distributed in the UK, a fact that has led to public debate in at least two areas: the increasing numbers of fee-charging cash machines (and their placement in particular areas of the UK),² and the closure of bank branches (and cash machines) in rural areas.³ This research is in this sense an extension of existing concerns regarding the fair distribution of cash machines, including an earlier study on the different kinds of locations where bank branches were likely to close.⁴ In particular, this report focuses on the access to cash in areas with large numbers of Black and minority ethnic people.

The increase in bank closures in the early 2000s and the significant increase in fee-charging cash machines since then has led the Treasury to try to enhance access to cash throughout the UK. Following a report by the House of Commons Treasury Committee on cash machines and financial inclusion,⁵ a Working Group, representing industry and consumer organizations, devised a method of targeting low income neighbourhoods without a free cash machine and of encouraging the industry to provide one in those areas; 527 were installed as of December 2008.⁶ By targeting specific areas, there was clear recognition that it was important

to provide non-charging machines in areas where there were currently no such machines, or only fee-charging machines.

This raises the question: do areas with large Black and minority ethnic populations have equal access to cash machines? This report investigates the location of cash machines in relation to the ethnic diversity of the neighbourhood, using the same information base as the report to government.⁷ It evaluates the number of cash machines per thousand of population to indicate availability of cash machines, and the proportion of cash machines that are free. It further considers whether existing policy that targets areas for new free cash machines is equally targeting areas with large BME populations. Our analysis suggests that, as with other aspects of financial inclusion, Black and minority ethnic people appear to have worse access to cash, are likely to pay more for withdrawing it, and are not being effectively targeted by the newly installed free cash machines.

Data

Access to the data used in this report was generously provided by LINK, based on their figures for cash machines in the UK for Q3 of 2008 (64,087 in total).⁸ These data include information such as location, fee-charging and kind of site. The quantitative analysis in this report was completed by Ludi Simpson, who created a database including all cash machines in Britain.

Of the 64,087 cash machine records received, all included a postcode and all but 65 have been allocated to a census Output Area (OA) using the ONS postcode directory. These 65, all in Scotland, have been allocated an OA using the closest postcode alphabetically.

However the OA is too small for most analysis, with generally 100-300 households. The data have been aggregated to Lower Super Output Area in England and Wales (minimum 1,000 population, mean 1500) and DataZone in Scotland (rather

smaller, with minimum population 500). We combine these two area types under the abbreviation of LSOA_DZ.⁹

The advantage of LSOA_DZ is that, unlike local authority districts and electoral wards, they have statistically similar populations, and a range of other information is available for them. The official rural-urban classification has been added, along with administrative characteristics of the Local Authority District to which each belongs. By focusing on non-rural areas we are better able to analyse those areas where BME people live, a fact that we further captured from data derived from the 2001 Census.

Ethnicity and diversity data analysis

LSOA_DZs have been further characterised by their ethnic diversity, summarized as follows:

1. Unmixed: more than 91.3% White¹⁰
2. Mixed: 50% - 91.3% White
3. Diverse: Less than 50% White

These figures have been selected based on the overall Black and minority ethnic population of England and Wales as defined in the 2001 census, i.e. 8.7%. The distribution of BME people, however, is quite uneven. Those areas with less than the England and Wales average have been called 'unmixed', while those with more than 50% BME residents have been called 'diverse' because there is always a mix of White and other ethnic groups. The remaining areas – where the white population ranges from 50%-91.3% – have been characterized as 'mixed'. We have used the England and Wales figure for two reasons: first, much of the analysis herein does not include Scotland and Northern Ireland (because they have quite small BME populations and because some of our chosen variables do not extend across every country in the UK); and, second, the BME population is likely to have increased significantly since the 2001 census.¹¹

2. Background and Initial Analysis

Background and history

Cash machines – or automated teller machines (ATMs) – are a regular part of most people's lives. The first cash machine in the world was installed in the UK in 1967 and today about two-thirds of people use them. The UK has the highest use of cash machines in Europe, with 2.8 billion transactions in 2006 at a value of £180 billion. Cash machine use is increasing and it is estimated that by 2016 more than 80% of all cash will be withdrawn from them.¹² As now, people will continue to withdraw cash from other sources, such as the Post Office and over the counter at bank branches.

The number of machines in the UK doubled between 2000 and 2006, and by 2008 was more than 64,000. Each year some machines are withdrawn and others added, and growth is expected to slow in the next ten years. The growth since 2000 has been mainly of machines away from their traditional location inside and outside of banks and building societies. The banking industry argues that this 'realignment' of the location of cash machines better matches the demands of customers in terms of

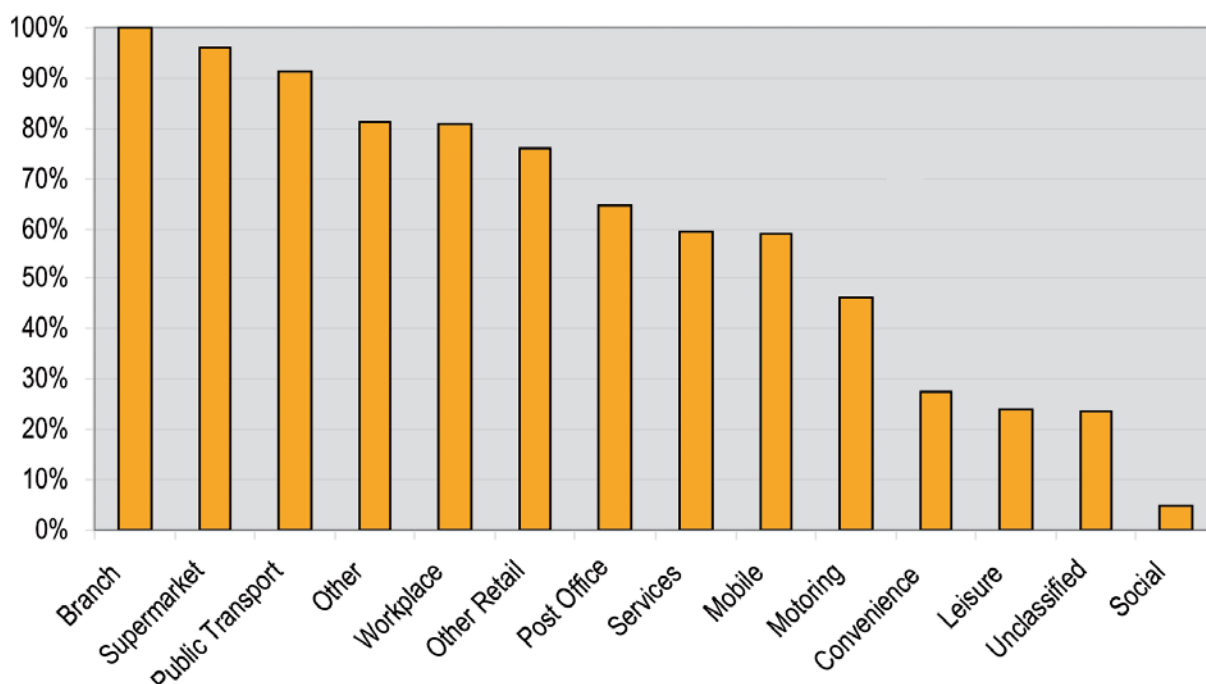
where they need to access cash. The assumption is that people require cash in shopping areas and high streets, but not necessarily near their home.

Where are free cash machines located?

Of 64,087 cash machines in the UK in 2008, 25,833 or 40% are charging fees, and 38,254 or 60% are free machines. Although over half of cash machines are free to use, the majority of new machines charge a flat fee for each use. While 40% of machines charge fees, less than 4% of cash withdrawals are made from fee-charging machines, but these machines are very unevenly distributed across the UK. Citizens Advice research found that 20% of people withdraw cash from a charging machine at least once a week, that there are now 'fee-charging hotspots', and that in some areas people have no choice but to use fee-charging cash machines.¹³

Figure 1 indicates the proportion of fee-charging machines in different kinds of location. Machines at bank and building society branches, super-

Figure 1. Proportion of free cash machines, by kind of location



Source: Data for all figures and tables in this report provided by LINK, based on Q3, 2008 data.

markets, and train or bus stations are generally free, while people usually have to pay to use those in convenience stores, petrol stations, swimming pools, cinema complexes and pubs.

Charging cash machines tend to be located in smaller shopping areas which are predominantly used by people with lower incomes. Those who can least afford to travel to free machines are most likely to be charged to withdraw their cash, and the charge is proportionately greater for those who withdraw smaller amounts. Nationwide research found that 27% of withdrawals from fee-charging machines were less than £20, meaning that people accessing such machines are paying at least 7.5% to access cash.¹⁴ And so although a relatively small amount of total cash is withdrawn from fee-charging machines, equity concerns have led LINK and the Treasury to install further free machines in disadvantaged areas. It is also worth pointing out that local authorities have some control over the placement of cash machines, and that there may be good reasons why they deny planning permission in a particular location, or why banks decide not to install a machine in that location.

There is now about one machine for every thousand people in the UK. They are more likely to be found in urban areas where there are more banks and shops, which also accounts for the slightly greater density of cash machines in London.

The density of cash machines does not vary greatly between the other regions of England. In Scotland and Wales it is the same as in Britain as a whole, at 1.1 machines per thousand population.¹⁵

Geographical variation among cash machines

The proportion of machines that are free to use is greater in urban areas at 61%, in large part because this is where bank branches are found most frequently. Half of all free cash machines in the UK are in bank branches; but with fewer branches in rural areas (and further bank closures), only 52% of machines in rural areas are free. The proportion of free machines varies between the regions and countries of Britain, from a high of 70% in Scotland to a low of 51% in the West Midlands, although most other regions are quite similar to the GB average of 59% (see Table 1).

In the rest of this report, rural areas and highly commercial areas have been excluded, to concentrate on urban areas where one might expect each person to have approximately equal access to cash machines.¹⁶ This allows us to assess how other factors – in particular the ethnic population of an area and an area's level of deprivation – impact on the density of and propensity to charge among cash machines.

Table 1. Cash machines in Britain: availability and type of area

	<i>Population</i>	<i>Cash machines per 1,000 population</i>	<i>Free cash machines, % of total</i>
Britain	57,103,666	1.1	59%
Urban areas (>10,000 population)	45,259,422	1.2	61%
Less urban and rural areas	11,844,244	0.7	52%
North East	2,515,634	1.1	54%
North West	6,730,526	1.1	59%
Yorkshire and the Humber	4,964,854	1.0	62%
East Midlands	4,171,983	1.0	60%
West Midlands	5,267,057	1.1	51%
Eastern	5,387,671	1.0	62%
London	7,171,998	1.3	57%
South East	8,000,250	1.0	63%
South West	4,928,294	1.0	57%
Wales	2,903,388	1.1	54%
Scotland	5,062,011	1.1	70%

Note: All tables are formed from data provided by LINK, as explained in the data section.

3. Cash Machine Location and Ethnic Equity

Within the urban and non-commercial areas of Britain there is a wide range of ethnic diversity. Most people (73% of the non-rural total) live in areas which are almost entirely White, which we have labelled as ‘Unmixed’; these include all those areas where the percentage of black and minority ethnic people is less than the GB average (8.7%). Nearly two million people live in areas that have a majority of residents from minority ethnic groups, which we have labelled ‘Diverse’, as there is always a mix of White and other ethnic groups in these areas. The remaining areas are ‘Mixed’, with more than the average but less than 50% of minority ethnic groups.¹⁷

More machines in diverse areas but most of them charge

As indicated in Table 2, diverse and mixed areas have a slightly higher density of cash machines than unmixed areas. But the percentage of free cash machines is lower in mixed areas and diverse areas. While 61% of cash machines are free in unmixed areas, in ethnically diverse areas, less than half (48%) of cash machines are free to use. This is a lower proportion of free machines than for rural areas in general, and lower than any of the regions. *The classification of areas by ethnic diversity divides the nation’s access to free cash machines more than the other classifications we have analysed.* There is clearly an issue of equitable financial inclusion to understand and to address.

Counting the proportion of fee-paying machines among all the cash machines in an area is one way of measuring access to cash. We

can also divide areas into three categories: those that have no cash machines, those that have *only* charging machine(s), and those that have free cash machines (but perhaps also charging machines). Areas that have a free cash machine can be considered to be inclusive in terms of access to cash, but those without a free cash machine cannot. Among diverse areas, there are fewer with free cash machines and more where the only available machines charge fees (see Table 3 overleaf). *This suggests that people living in diverse areas have worse access to cash.*

Access to cash for specific ethnic groups

We do not know the access to free cash machines for each person. But we can classify areas according to their ethnic composition, to compare areas where each group mainly lives. We have captured these areas in Figure 2 by examining the 200 neighbourhoods in the UK with the greatest population for each ethnic group. The analysis presents an alternative way for thinking about BME access to cash, and in particular recognizes the differential experiences and geographies of various ethnic groups in the UK.

Figure 2 shows that availability of cash machines – and the proportion of free machines – varies for different ethnic groups. The number of

Table 2. Cash machine availability and diversity

	Population	Cash machines per 1,000 population	Free cash machines, % of total
Britain (non-rural areas only)	45,179,900	1.1	59%
Unmixed	32,839,069	1.0	61%
Mixed	10,411,720	1.4	58%
Diverse	1,929,111	1.1	48%

Figure 2. Proportion of free cash machines, by areas with the greatest number of ethnic groups

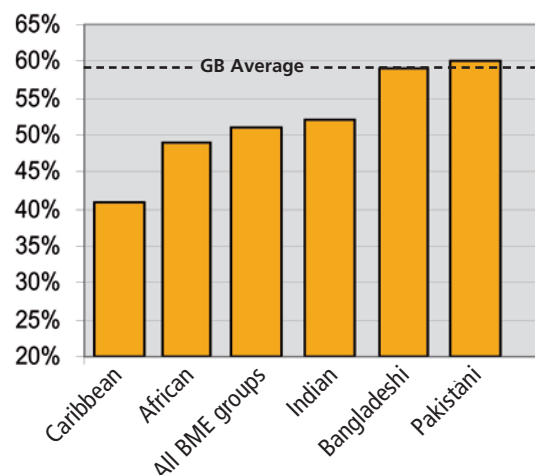


Table 3. Number and percentage of areas with no free cash machines

	<i>Unmixed: more than GB average White (91.3%)</i>		<i>Mixed: 50% - 91.3% White</i>		<i>Diverse: less than 50% White</i>		<i>Total</i>	
Britain (non-rural areas only)	23,878	100%	6,991	100%	1,246	100%	32,115	100%
No cash machines in area	11,579	48%	2,823	40%	528	42%	14,930	46%
Only charging cash machines in area	5,426	23%	1,949	28%	400	32%	7,775	24%
Free cash machines in area	6,873	29%	2,219	32%	318	26%	9,410	29%

Table 4. Availability of free cash machines in areas with most ethnic groups

	<i>Indian</i>	<i>Pakistani</i>	<i>Bangladeshi</i>	<i>Caribbean</i>	<i>African</i>	<i>All BME groups</i>	<i>All areas</i>
No cash machines in area	49%	40%	33%	44%	42%	40%	46%
Only charging cash machines in area	23%	31%	31%	36%	36%	33%	24%
Free cash machines in area	28%	30%	37%	21%	22%	28%	29%

Note: Each column refers to the 200 neighbourhoods with most residents from the named group, except the last which refers to all areas. Rural and commercial areas excluded.

cash machines is slightly less than Britain's average in the 200 areas which have the most Caribbean residents, and the proportion that are free is particularly low at 41% (compared to Britain's average of 59%). Areas that have the most African and Indian residents also have a lower proportion of free cash machines, while those areas with the most Bangladeshi and Pakistani people match the overall figure for Britain.

As indicated in Table 3, only 29% of all neighbourhoods have free cash machines, and a further 24% have only charging machines; that access is lower in ethnically diverse areas where BME residents when taken as a whole are more than half of the population. We can further investigate access to free cash machines for the largest minority ethnic groups.

The data in Table 4 show that areas with the highest number of Pakistani residents and areas with most Bangladeshi residents have slightly greater likelihood of a free cash machine, but also are more likely to have only charging machines in their neighbourhood, when compared with all areas. The areas with most Indian residents are most likely to have no cash machine at all. The areas with the greatest number of Caribbean or African residents are most likely to have access only to charging cash machines, at 36% compared to the 24% overall, and are less likely to have a free machine in their area, at 21-22% compared to 29% overall. As with the data in Figure 2, this suggests that Caribbean and African groups in particular have worse access to cash than the white population.

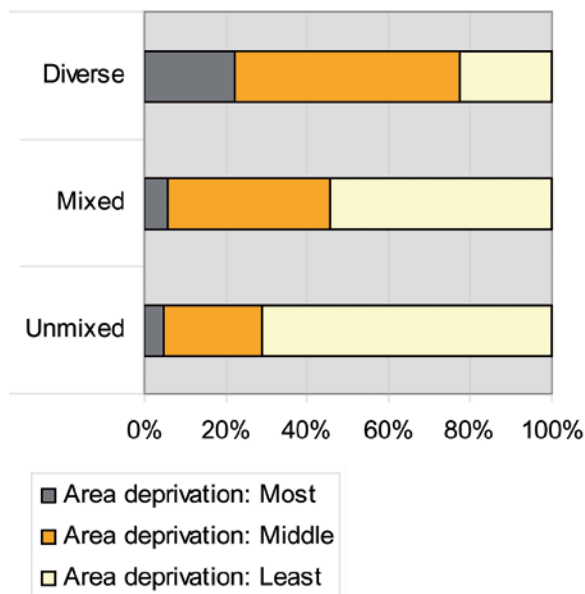
Poverty, ethnicity and cash machine location

Why should the diversity of an area lead to a smaller proportion of free cash machines? It is not likely that discriminatory practices inform the location of machines, but Black and minority ethnic people may tend to live in the kinds of areas where there are fewer banks and large shops, in particular in poorer areas where smaller shopping centres and charging machines are most likely. We therefore consider whether deprivation fully explains the poorer access to cash machines in areas with larger BME populations.

The government's measure of area deprivation includes income and unemployment as its major elements.¹⁸ There are different indices for each country of Britain, and these are not comparable. For that reason, our analysis of the impact of deprivation is limited to England. As indicated in Figure 3 (overleaf), more than two-thirds (71%) of White unmixed areas are least deprived, while most of the diverse areas are in the middle or most deprived categories. Indeed, among ethnically diverse areas, less than one in four (22%) are least deprived. On the face of it then, this association of ethnic diversity and area deprivation could account for the higher density of charging machines in ethnically diverse areas.

However, data suggest that deprivation does *not* explain the poorer access to cash machines we have already charted in this report. Within each of the deprivation categories, the diverse areas have lower density of cash machines than unmixed areas, and much significantly lower proportions of free cash

Figure 3. Levels of deprivation in diverse, mixed and unmixed areas



Note: See Appendix for full details. No category has less than 420,000 people. The columns represent between 420,000 and just under 20 million people.

machines; Figure 4 shows that 60% are free in unmixed areas and only 43% in diverse areas. In fact, within each kind of deprivation area – most deprived, middle and least deprived – diverse areas have significantly fewer free cash machines than unmixed areas. Interestingly, among unmixed areas, the level of deprivation seems to have no impact on the number of free cash machines. That is, residence in unmixed areas is a better indicator of good access to cash than residence in better-off areas.

Thus there is a diversity issue to be addressed: can the installation of free cash machines be directed in future towards equalizing the balance of free and charging machines? Given that earlier research found that bank branches were more likely to close in ‘multicultural metropolitan’ (among other areas),¹⁹ there is a case for targeting diverse areas with any future free cash machines.

Regions, cities and diversity

The proportion of free machines *within diverse* areas is not consistent across each of Britain’s countries and English regions. Table 5 (overleaf) shows the gap between the proportion of free machines in diverse areas and the proportion of free machines overall in Britain’s 11 regions. The regions where diverse areas have a significantly lower proportion of free machines include the East and West Midlands, London, the Eastern and South East regions. In the latter two regions the gap between diverse areas and all areas is particularly stark (21% vs. 63% in the Eastern region and 34% vs. 65% in the South East).

On the other hand, diverse areas in the North West and Yorkshire and the Humber have the same proportion of free cash machines as the overall total in those regions. Researchers and policy makers should study why banks in these areas seem more likely to place free cash machines in these areas and to determine whether any good practice could be spread to the rest of Britain. Wales, Scotland, the South West and North East have very few diverse areas, meaning that the figures in these regions are not statistically significant.

Figure 4. Proportion of free cash machines, by area deprivation and diversity

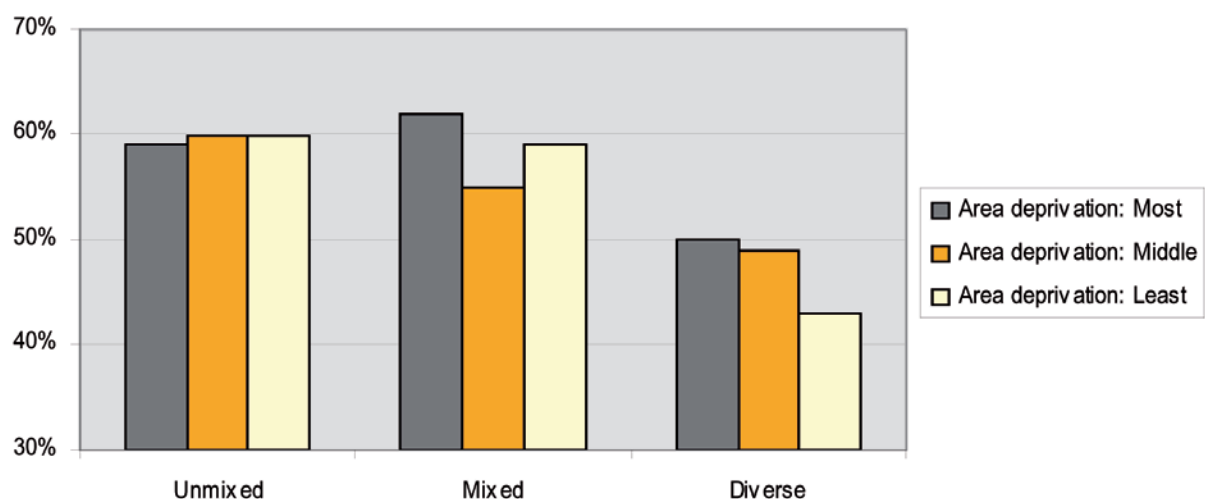


Table 5. Region and diversity

	Population		Free cash machines as % of total	
	Diverse areas	All areas	Diverse areas	All areas
Britain	1,929,111	45,179,900	48%	59%
North East	1,432	2,040,904	*	54%
North West	152,416	5,937,547	62%	58%
Yorkshire and the Humber	148,748	3,987,309	61%	61%
East Midlands	100,642	2,947,892	46%	61%
West Midlands	318,982	4,449,183	44%	51%
Eastern	40,708	3,731,041	21%	63%
London	1,099,365	7,151,282	47%	55%
South East	55,581	6,248,240	34%	65%
South West	1,582	3,271,659	67%	61%
Wales	3,053	1,884,027	0%	54%
Scotland	6,602	3,530,816	43%	70%

* There were no cash machines – free or charging – in the one diverse area in the North East.

The twenty local authorities with most population in ethnically diverse areas are listed in Table 6 (overleaf). There is great variation among them. The most ethnically diverse LAs tend to have fewer cash machines and a lower percentage of free machines, with half of these LAs having less than 50% free cash machines. For example, Birmingham, Tower Hamlets and Hounslow have 50% or fewer free cash machines, and under 40% in their diverse areas. But this is not always the case: in Bradford and Harrow more than 60% of machines are free in the local authorities overall and in their diverse areas, while in Newham and Sandwell diverse areas have a greater proportion of free cash machines compared to unmixed areas.

There are no other clear trends among these twenty local authorities in Table 6, although the London boroughs generally have relatively few free cash machines, and even less in diverse areas. Here it is worth emphasizing a point we have already raised: local authorities have some planning control over the location of cash machines and we need to understand better whether their decision-making processes at least partly explain the notable variance among LAs in Table 6. As with the regional variation noted above, *there is a case for determining the causes of these differences and to assess whether or not good practice could be spread, both among the banks and policy makers, but also for local authorities.*

Table 6. Local authorities with most population in diverse areas: cash machine availability and diversity

	Population				Cash machines per 1,000 population				Free cash machines, % of total			
	Unmixed	Mixed	Diverse	Total	Unmixed	Mixed	Diverse	Total	Unmixed	Mixed	Diverse	Total
Birmingham	277,517	463,395	233,115	974,027	1.2	1.3	0.9	1.2	46%	43%	38%	43%
Newham	0	67,869	176,030	243,899		0.9	1.3	1.2		40%	52%	49%
Brent	0	96,181	167,218	263,399		1.2	1.1	1.1		47%	53%	51%
Tower Hamlets	0	108,398	87,697	196,095		2.4	1.0	1.8		53%	38%	50%
Ealing	0	214,704	86,182	300,886		1.1	1.0	1.1		57%	43%	53%
Bradford	235,710	106,780	84,037	426,527	0.6	1.1	0.8	0.8	69%	70%	66%	69%
Leicester UA	48,804	149,974	79,556	278,334	0.6	1.1	0.6	0.9	50%	56%	57%	55%
Redbridge	1,369	159,892	77,250	238,511	0.7	0.8	1.2	0.9	0%	49%	59%	53%
Hounslow	4,317	140,954	67,175	212,446	0.2	1.4	1.1	1.3	0%	56%	31%	49%
Croydon	18,406	252,584	59,698	330,688	0.3	1.0	0.8	0.9	33%	64%	55%	62%
Harrow	0	150,279	56,572	206,851		1.0	0.7	0.9		72%	63%	70%
Southwark	1,614	194,010	49,263	244,887	0.6	1.5	0.6	1.3	0%	60%	38%	57%
Lambeth	0	219,848	46,193	266,041		1.3	0.8	1.2		44%	39%	44%
Haringey	1,597	171,535	43,341	216,473	0.0	1.2	1.0	1.2		47%	36%	45%
Waltham Forest	15,419	159,992	42,878	218,289	0.7	0.9	2.1	1.1	73%	35%	54%	43%
Slough UA	0	80,389	38,666	119,055		1.3	1.0	1.2		67%	43%	61%
Hackney	0	165,467	37,376	202,843		1.4	0.9	1.3		38%	18%	35%
Luton UA	14,468	135,759	32,696	182,923	0.8	0.9	1.0	0.9	64%	40%	21%	38%
Manchester	153,962	205,987	31,384	391,333	1.1	1.7	0.6	1.4	64%	48%	17%	52%
Sandwell	82,994	168,477	31,368	282,839	0.8	1.2	1.6	1.1	38%	38%	73%	43%

Notes: Calculated from the urban and non-commercial areas within each local authority area. UA: Unitary Authority. Free ATMs as % of total* is not calculated where there were no ATMs in that category.

4. Ethnic Composition of Areas Targeted by the Working Group

A substantial proportion of the 1,634 areas targeted for installing free cash machines, following the Working Group report, are in rural areas. The remaining 1,385 targeted areas can be compared with the analysis elsewhere in this report, and constitute 4.3% of all the urban non-commercial areas. Most of the targeted areas have already been provided with free machines (519 areas) or are under contract for at least one (241 areas).

The installation of these free cash machines has undoubtedly done much to increase poorer people’s access to money. Indeed, according to the most recent Treasury press release: ‘People in low income areas where non-charging machines have been installed are estimated to be saving in the region of £7 per person per week because there is free access to an ATM in their area’.²⁰

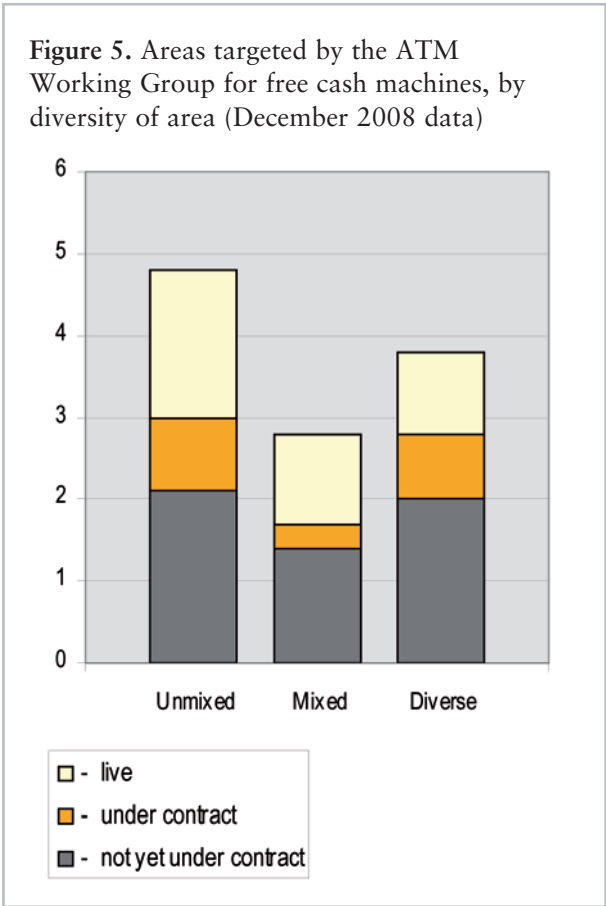
We have noted above that each minority

ethnic group has a different level of access to cash machines, but that overall people living in diverse areas have less access and are more likely to have access only to charging machines in their neighbourhood. Have these areas been targeted to address the underlying inequality between diverse and unmixed areas in terms of access to cash?

Unfortunately a smaller proportion of the most diverse areas are targeted – 3.8% rather than the 4.3% overall; this compares to 4.8% in unmixed areas. Furthermore the latest available data show that fewer than half the targeted diverse areas had been provided with, or were under contract for, new free machines. Note that these are areas that have already been identified as prime candidates for non fee-charging cash machines. *This suggests that the pattern of ethnic inequality in access to free cash machines which the data appear to show, will not be solved by current targeted work.*

Can we quantify the cost to BME people by having worse access to cash? Consider the Treasury’s press release figure of a £7 per week surcharge for using charging machines in deprived areas. We know that 28% of BME people live in areas where there are *only* fee-charging cash machines, compared to 24% of white people. *Given the £7 per week figure, this translates to BME people paying £14.50 per annum extra for accessing cash.*²¹

An alternative calculation is based on the average number of cash machine withdrawals per year – 78 for each user. *If people in areas without free cash machines always used their nearest fee-charging machine they would pay an extra £120 pounds per year in charges* (based on a £1.50 average charge). And given that 33% of areas with the most BME people have only fee-charging machines – compared to 24% in Britain as a whole – we can assume that the failure to target diverse areas will unfortunately result in less BME people benefiting from their policy of introducing more non-fee charging cash machines.



5. Conclusions

The location of cash machines is determined by a number of factors, including residential density, commercial viability, security and local planning guidelines. In this report, we have found strong evidence that areas with large BME populations have worse access to cash machines. While this research has not fully explained why that access is poorer, it has analysed data to assess some possible reasons why areas with large BME populations have worse access to cash.

First, we have limited much of the analysis to urban areas only. Because BME people are more likely to live in urban areas, and urban areas have a greater density of bank branches and cash machines, we have eliminated rural areas from our analysis to consider the independent role of ethnicity. Here our findings suggest worse access for those who live in ‘diverse’ areas, although this also of course includes those white people who live in these areas as well.

If the greater proportion of BME people living in urban areas suggests that they might have better access to cash, their greater likelihood of living in deprived areas suggests that they may be less likely to be able to access free cash from cash machines. We have therefore assessed whether ‘deprived’ areas are more likely to have worse access to free cash, but have found that the level of diversity is a far better predictor of access to free cash. That is, living in an unmixed area (even a *deprived* unmixed

area) is more likely to allow a person better access to cash compared to living in a diverse area – even a *well-off* diverse area.

This project presents important evidence on the financial exclusion of BME people in Britain. There are still not enough good data on the BME experience of access to financial products and services, and Runnymede is convinced that further work is necessary in this area. This report also highlights our argument that financial exclusion has broader effects on an individual than higher costs or fewer financial products: having to pay more for accessing cash, or having to travel further to access it, obviously has a significant day-to-day effect on BME people living in diverse areas.

Given this evidence, researchers and policy makers should further explore the experience of BME people in terms of access to financial products and services. Whatever the reasons for poorer BME access to cash, that phenomenon is not uniform across Britain, and so there may be opportunities for spreading good practice. This will require the combined efforts of researchers, central government, local authorities and of course financial institutions. To ensure financial inclusion for everyone, we need to understand better how and why people are excluded, and to respond in a targeted way. This report suggests that one such target is placing more free cash machines in areas with large Black and minority ethnic populations.

Endnotes

- 1 Khan, 2008.
- 2 Nationwide Building Society, 2005; also Citizens Advice Bureau, 2006.
- 3 Umbrella campaigning organization, Campaign for Community Banking Services: <http://www.communitybanking.org.uk>
- 4 University of Nottingham, 2006; based on Leyshon et al., 2006. See also Leyshon et al., 2008.
- 5 ATM Working Group, 2006. Report to Economic Secretary Ed Balls of a working group chaired by John McFall MP, Chair of the Treasury Select Committee.
- 6 HM Treasury, 2008.
- 7 Both this report and the ATM Working Group used all Lower Super Output Areas (LSOA) in England and Wales and all DataZones in Scotland. For further explanation, see the Data section below.
- 8 LINK is the operator of the UK cash machines network: www.link.co.uk
- 9 For Northern Ireland, see note 11 below.
- 10 The classification of BME in this report follows the 2001 census designations and so does not include White Other groups.
- 11 Northern Ireland has no 'diverse' and only two 'mixed' areas (at 89.4% and 90.4%) out of over 900 in the region. And as with Scotland, Northern Ireland is also not included in the Index of Multiple Deprivation that we use to consider whether poverty can explain the level of BME access to cash machines. In 2005, ONS estimated about 1 million more BME people in England compared to the 2001 Census, suggesting that the British BME population is now close to 10%.
- 12 See APACS, 2008.
- 13 Citizens Advice Bureau, 2006.
- 14 Nationwide Building Society, 2005.
- 15 The figure in Northern Ireland is closer to 1.0 per thousand population.
- 16 The government's latest classification of rural-urban areas and of multiple deprivation have been used for each LSOA_DZ area, together with the population and ethnic composition taken from the 2001 Census. The population and ethnic composition has changed since the census, but the diversity of an area relative to other areas of Britain changes much more slowly. Fifty-one commercial areas with more than 50 cash machines were excluded from analyses in the section on cash machine location and ethnic diversity. Exclusion of a further 273 areas with 20-49 cash machines did not significantly change the patterns reported.
- 17 This classification was used in the review of local labour market conditions from the censuses of 1991 and 2001 (Simpson et al., 2006).
- 18 Our division of areas according to the Index of Multiple Deprivation scores into Most deprived (5% of areas), Middle (25% of areas) and Least deprived (70% of areas) approximately divides the population in the same proportions as our division according to ethnic diversity.
- 19 See the research by Leyson et al., 2006, cited in note 4 above.
- 20 HM Treasury, 2008.
- 21 This figure is based on multiplying the 4.1% difference between White and BME residence in fee-charging areas by the £354 the Treasury states is paid each year by people living in such areas.

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Appendix: Data Tables for Figures

For Figure 1. Cash machines in the UK: type of location

	<i>Total</i>	<i>% Free</i>	<i>% Charge</i>
Branch	19,377	99.9%	.1%
Supermarket	3,367	95.9%	4.1%
Public Transport	872	91.4%	8.6%
Other	3,208	81.3%	18.7%
Workplace	825	80.8%	19.2%
Other Retail	2,339	75.8%	24.2%
Post Office	3,073	64.5%	35.5%
Services	926	59.4%	40.6%
Mobile	83	59.0%	41.0%
Motoring	3,546	46.4%	53.6%
Convenience	15,641	27.4%	72.6%
Leisure	3,861	24.0%	76.0%
Unclassified	236	23.7%	76.3%
Social	6,733	4.9%	95.1%
TOTAL	64,087	59.7%	40.3%

For Figure 2. Two hundred neighbourhoods with the most residents from the named group

	<i>Total population</i>	<i>Group population</i>	<i>Group (% in population)</i>	<i>Cash machines per 1000 population</i>	<i>Free cash machines, (% of total)</i>
Caribbean	304,505	62,007	20%	0.9	41%
African	303,589	72,649	24%	1.1	49%
All BME groups	357,295	296,312	83%	1.0	51%
Indian	319,598	163,170	51%	0.9	52%
Bangladeshi	316,618	100,811	32%	1.9	59%
Pakistani	340,598	181,726	53%	1.1	60%

For Figure 3. Area deprivation and area diversity: population (England only)

		<i>Area deprivation:</i>			
		<i>Most</i>	<i>Middle</i>	<i>Least</i>	<i>All</i>
Diversity:	Unmixed	1,380,486	6,593,175	19,752,816	27,726,477
	Mixed	604,578	4,032,851	5,481,695	10,119,124
	Diverse	420,495	1,069,782	429,179	1,919,456
	All	2,405,559	11,695,808	25,663,690	39,765,057

For Figure 4. Free cash machines as % of total, by area diversity and area deprivation

		<i>Area deprivation:</i>			
		<i>Most</i>	<i>Middle</i>	<i>Least</i>	<i>All</i>
Diversity:	Unmixed	59%	60%	60%	60%
	Mixed	62%	55%	59%	58%
	Diverse	50%	49%	43%	49%
	All	58%	57%	60%	59%

For Figure 5. Areas targeted by the LINK network for free cash machines

	<i>Unmixed</i>	<i>Mixed</i>	<i>Diverse</i>	<i>All areas</i>
Not targeted	95.2%	97.1%	96.2%	95.7%
Targeted, total	4.8%	2.9%	3.8%	4.3%
• not yet under contract	2.1%	1.4%	2.0%	1.9%
• under contract	0.9%	0.3%	0.8%	0.8%
• live	1.8%	1.1%	1.0%	1.6%
Number of areas	23,878	6,991	1246	32,115

Note: Rural and commercial areas excluded

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