

Second review of Specific Direction 8

Stakeholder submissions
to Calls for views

July 2021

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Names of individuals and information that may indirectly identify individuals have been redacted.

Association of Convenience Stores

25th February 2021

LINK Specific Direction 8 Review
Payment Systems Regulator
12 Endeavour Square
Stratford, London
E20 1JN

Dear Review Team

ACS Submission: LINK Specific Direction 8 Review

We welcome the opportunity to inform your review of Specific Direction 8 (SD8). ACS (the Association of Convenience Stores) represents 33,500 local shops and petrol forecourts including Co-op, McColls, BP and thousands of independent retailers, many of which trade under brands such as Spar, Nisa and Costcutter.

Convenience retailers are responding to changing consumer demands for payment services and investing to offer contactless (available in 88% of stores) and mobile payments (80%)¹. Convenience stores are also a valuable source of cash access, providing FTU (49%) and PTU (22%) ATMs, Post Offices (22%) and cashback with purchase (68%)². The proportion of cash payments in independent convenience stores reduced during the earlier stages of the pandemic from 80% to 62% but has since partly reversed and stabilised at 68% of transactions³. The split of cash/card payments can vary significantly based on store location. ACS is payment neutral but access to cash must be accessible in the long-term to meet sustained consumer demand and support a diverse payments market.

LINK's ATM Footprint Report reinforces the need for the PSR to closely monitor management of the FTU ATM network. The report shows 13% of protected ATMs are no longer transacting, 79% of which no longer provide free access to cash on a permanent basis⁴. This demonstrates the growing number of ATM blackspots, highlighting the need for an effective ATM Replacement Procedure. We would support a shorter 12-week timeframe for LINK to complete its replacement procedure, which would align with the definition of a lost ATM and help prevent temporary gaps in ATM coverage aside from where exceptionally short notice is

¹ ACS Local Shop Report 2020

² ACS Local Shop Report 2020

³ The Retail Data Partnership. Evolution of Payments in the UK's Independent Convenience Store. December 2020.

⁴ <https://www.link.co.uk/media/1709/atm-footprint-report-december-2020.pdf>

given. The new FCA ATM closures guidance should prevent short notice closures by requiring operators to fully assess wider societal and economic impacts when considering closures. The protected ATM policy, brought about due to SD8, encourages a strategic focus on ensuring a national network and should be retained.

LINK's direct commissioning and low-volume premium policies have had limited effect because most trading ATMs require a viable and reliable commercial offer for a host convenience retailer. The sudden and unilateral switch of many ATMs from FTU to PTU by operators and wider trends on cash use have made retailers wary of taking on ATMs. Overturning this key problem to provide a stable offer for retailers requires returning to the independent setting of interchange fees. Bank participation should also be mandated within a single ATM scheme to stop commercial pressures to reduce network costs from undermining consumer outcomes.

SD8 is a positive contribution towards a nationwide ATM network and should remain in place until the implementation of access to cash legislation. SD8 has encouraged the development of policies aiming to safeguard access to cash in the interim and required necessary transparency from LINK. This transparency encourages LINK to act in the interests of consumers over reducing network costs. We are committed to working with the Payment Systems Regulator on ATM policy and access to cash. For more information on this submission, please contact [REDACTED].

Yours sincerely

[REDACTED]

[REDACTED]
[REDACTED]

Derek French

[REDACTED]

From: [REDACTED]
Sent: 12 February 2021 11:11
To: PSRcashaccess
Cc: [REDACTED]
Subject: Specific Direction 8 (LINK)
Attachments: Acc to Cash Review Multi- Bank Pay-In.pdf

****This email has come from an external source. BE CAREFUL of links and attachments and report suspicious emails****

I respond as a media published and quoted expert who has been involved in, and closely monitors, access to cash and banking services informed as a former retail banking executive and as [REDACTED].

(a);(b);(c)

SD8 responsibilities seem to have been met by LINK with reasonable and sustained intent but with increasing bank branch closures, often the only site in small communities for a FTU ATM, the need for SD 8, or similar direction, will increase.

(d) It should remain and be strengthened because:

- The ATM Community Request scheme can only ever be a supplementary avenue but LINK is to be congratulated on this community involvement initiative.
- The Retail Centre policy is to be applauded but its strict criteria suggests it will only ever have minimal impact on the problems.
- The CACP is devalued by its Covid timing, unscientific sites selection, only 3 banking hubs (separate to post office outlets but dependent upon Post Office systems) with doubt over its scalability in the hands of Post Office Limited.
- Provision of very basic banking services at post office outlets is welcome but in the small communities **historically** impacted by branch/ATM withdrawal the opening hours of post office outlets are restrictive if the outlet becomes the only source .
- OneBanks pilot in Denny is nearest in concept to the ideal of multi-bank withdrawal and deposit capability but it is a small start-up, not directly endorsed by the banks, and its use of Open Banking technology (designed for other purposes) makes it consumer unfriendly and being trialled in an unrepresentative location.


In a context wider than this Call, government and regulators should be looking to move the banking industry (owners of LINK) to develop a LINK technology based model, manned and unmanned, for multi- bank withdrawal **and deposit** which can be deployed nationally to supplement or replace post office access as appropriate to the location. The industry's tardiness was directly highlighted in Natalie Ceeney's independent report, attached.

NOTE

With the announcement of HSBC's closures planned for 2021 we have entered new territory, those of TSB and Lloyds are carry forwards from 2020. My analysis of the 82 HSBC are split 50/50

between areas of large conurbations continuing the move towards having only one 'city centre' location for bank branches and standalone towns. The latter are nearly all in my predicted 10000-40000 population bracket and most are the first to go reinforcing the pattern established by NatWest and others which is expected to gain momentum post Covid restrictions. The attempt by the FCA (28 January 2021) to at least stall these closures has been patently unsuccessful, reinforcing the case for stronger regulation of access to cash issues.

Regards

A large black rectangular redaction box covers the signature and any text that might have followed it.

HSBC

HSBC UK Bank plc

PAYMENT SYSTEMS REGULATOR

**REVIEW OF SPECIFIC DIRECTION 8 (LINK)
REQUIRING THE ADOPTION OF APPROPRIATE POLICIES
AND MEASURES AND REPORTING OBLIGATIONS
REGARDING PROTECTED ATMS**

RESPONSE TO FEEDBACK REQUEST

26 February 2021

Response to request for feedback

HSBC UK Bank plc (**'HSBC UK'**) is pleased to provide feedback in support of the Payment System Regulator's (**'PSR'**) latest review of Specific Direction 8 (LINK) (**'SD8'**) requiring the adoption of appropriate policies and measures and reporting obligations regarding protected ATMs.

HSBC supported the aims and objectives of Specific Direction 8 in our response to the PSR's consultation on your draft proposals in October 2018, along with the proposals to review progress annually until the planned expiry in January 2022 or earlier.

As HSBC UK said at the first review point in October 2019, and as we still believe, LINK themselves are best placed to provide detailed feedback on the activities they have undertaken to maintain their commitments, and the success they have had in achieving those objectives. HSBC UK are fully aware of LINK's Direct Commissioning activity and as an Issuing member we provide financial support for that programme. Although we do not maintain a remote ATM estate and as such are not embedded in the programme, as active participants in the LINK Network Management Advisory Group we do receive regular updates, which provides us with early sight of the monthly reports published in the public domain on the LINK website. Based on these updates HSBC UK remain supportive of the actions LINK are taking, as we were in October 2019.

Although not directly relevant to Protected ATMs, as we have discussed with the PSR previously, HSBC UK firmly believe that a broader strategic and coordinated approach towards cash management is needed, including innovation in consumer access from sources that are not an ATM. In line with that view, we are comfortable with the support and commitment LINK have provided to the ongoing Community Access To Cash pilots, an initiative that we ourselves actively support both financially and operationally, and will continue to support regardless of the SD8 status. We are also encouraged by the early LINK data we are seeing from the 'Counter Services Cashback – No Purchase' trial, and given the expected implementation of the necessary legislative changes, we fully anticipate that access to cash method to grow and support the communities most in need.

Specific Direction 8 covers some very important and complex issues. HSBC UK believes that what we have seen to date demonstrates a very clear understanding and commitment to address those issues by LINK and the industry in general; the message has been received, understood, and is being acted on, and on that basis HSBC UK believes that SD8 has achieved its objectives.

LINK

Second Review of Specific Direction 8: Call for Views

LINK's response to the Payment Systems Regulator's call for views on the Second Review of Specific Direction 8 in January 2021.

23rd February 2021

Contact: [REDACTED]
e-mail: [REDACTED]
Mobile: [REDACTED]
Web: www.link.co.uk

Classification: Public

Executive Summary

1. LINK sees limited value in Specific Direction 8 (SD8) as it has no effect on the actions that LINK chooses to take to support access to cash. The main effect of SD8 is to impose a number of reporting obligations to the PSR and public that LINK would be delivering anyhow.
2. The most important consideration is that, over the period that SD8 has been in force, LINK's commitments have worked well for consumers to protect free access to cash. Free access to cash has been maintained on a satisfactory basis for consumers, including throughout the coronavirus crisis. The PSR's general support and engagement over the period has been helpful in achieving this.
3. LINK considers that the SD8 mechanism is not the most effective way for the PSR to proceed and instead recommends further developing the existing in-depth strategic analysis and dialogue that is more constructive to developing good outcomes for the UK economy and consumers.
4. However, LINK notes that, whilst SD8 does not affect LINK's commitments, it does appear to provide a focus for the PSR's own engagement with LINK and in turn some clarity for LINK's membership on the PSR's priorities. PSR scrutiny of LINK may help the PSR to focus on how LINK can increase the resilience of delivery of its commitments through development of concepts such as a Provider of Last Resort. LINK's membership can find meeting funding calls easier if aligned to a regulatory requirement framed in the context of a Specific Direction.
5. Given the Government's intention to legislate to support cash, and the work of the Access to Cash Roundtable that has been led by the FCA and the PSR, SD8 will be superseded by other measures shortly.
6. Following the heavy reduction in ATM use through the pandemic, the Interchange Impact Assessment report is no longer useful and should be ended.

About LINK

7. Link Scheme Holdings Ltd (LINK) manages the UK's main cash dispenser (ATM) network and is central to the operation of the UK's cash infrastructure.
8. LINK's network connects the vast majority of ATMs (both free and charging) in the country and allows customers of banks and building societies (card issuers) who are LINK Members to make cash withdrawals and balance enquiries with their payment card at almost all ATMs. All major card issuers and ATM operators currently choose to become Members of LINK. This helps to ensure that consumers in the UK have the choice of accessing cash should they wish to.
9. Cash is in long term decline in the UK and, whilst the Government committed in March 2020 to introduce legislation to protect access to cash, this has yet to be implemented, meaning there are no obligations on banks that give consumers the right to access cash at a network of points (free or otherwise). In the absence of legislation, LINK is continuing to ensure that communities throughout the UK have satisfactory free access to cash.
10. The LINK network is based on a highly resilient real-time high-volume infrastructure, currently supplied by Vocalink. LINK is the operator of the network and the systemic risk manager.
11. LINK is regulated by the Payment Systems Regulator (PSR) and by the Bank of England as a systemically important payment system and values a collaborative and strategic relationship with both.

LINK's General Feedback to the PSR on Specific Direction 8

12. On 19th October 2018, the PSR issued SD8 to LINK. The PSR's website states that the Direction's objective is: *"The direction is designed to make sure LINK does all it can to fulfil the public commitments it made at the beginning of 2018 regarding the ongoing availability of access to free-to-use ATMs for UK consumers. We are requiring LINK to fully develop its policies and processes for applying and implementing its public commitments and to report to us on a regular basis."*
13. SD8 provided for an annual review at the end of one year and, if still in place, after 24 months. The conclusions from the PSR's first annual review of SD8 were published on 9th March 2020. This concluded that LINK's delivery of its commitments to preserve access to cash had been effective, and that the Direction should run for another year. The review offered some recommendations on how to improve the position. LINK has implemented these.
14. On 28th January 2021, the PSR invited views for its second annual review of SD8. LINK's detailed responses to the specific questions raised are set out later in this document.
15. The most important consideration is that, over the period that SD8 has been in force, LINK's commitments have worked well for consumers to protect free access to cash. Free access to cash has been maintained on a satisfactory basis for consumers, including throughout the coronavirus crisis. The PSR's general support and engagement over the period has been helpful in achieving this.

16. Given that LINK sets its own commitments on a voluntary basis and without regulatory direction, SD8 itself has always been very limited in its ability to have a direct impact on LINK's activity, and therefore access to cash.
17. The requirements that SD8 sets relate primarily to reporting by LINK, including transparent publication on supporting Policies and data. LINK already publishes this material on a voluntary basis and would do so regardless of whether SD8 existed or not.
18. However, LINK notes that, whilst SD8 does not affect LINK's commitments, it has appeared to provide a focus for the PSR's own engagement with LINK and in turn some clarity for LINK's membership on the PSR's priorities.
19. For example, mandatory funding for objectives that are subject to SD8's requirements are now incorporated into LINK's Rules. £8m has been raised in this manner with a further £4m scheduled to be raised in March 2021.
20. LINK considers that this sort of mechanism is not the most effective way for the PSR to proceed and instead recommends further developing the existing in-depth strategic analysis and dialogue that is more constructive to developing good outcomes for the UK economy and consumers.
21. Given the current stress on the cash infrastructure caused by declining usage, PSR scrutiny of LINK may help the PSR to focus on how LINK can increase the resilience of delivery of its commitments through development of concepts such as a Provider of Last Resort. In turn, LINK's membership can find meeting funding calls easier if aligned to a regulatory requirement framed in the context of a new Specific Direction.
22. Following the heavy reduction in ATM use through the pandemic, the Interchange Impact Assessment report is no longer useful and should be ended.

Area 1: How well LINK fulfilled requirements under SD8 for implementing policies, reporting publicly, maintaining coverage of Protected ATMs, and providing clear and transparent information?

23. LINK is fully meeting all the requirements set out in SD8, but would do so in substance regardless of there being a Specific Direction. Specifically, LINK maintains and publishes a Protected ATM Policy that details how LINK manages the footprint of Protected ATMs. The LINK Board also consider the ATM footprint at each Board meeting and the minutes of these meetings are shared with the PSR. Furthermore, LINK publishes a public Footprint Report monthly detailing the progress in maintaining the footprint of Protected ATMs including the number of ATMs that have closed, require replacement and have been replaced.
24. LINK understands the value of clear and transparent public reporting and will continue to report on the footprint of Protected ATMs regardless of whether this is required under SD8.
25. Following the heavy reduction in ATM use through the pandemic, the Interchange Impact Assessment report is no longer useful and should be ended.

Area 2: How well the requirements under SD8 have worked in practice in relation to protecting free-to-use ATMs?

26. The most important consideration is that, over the period that SD8 has been in force, LINK's commitments have worked well for consumers to protect free access to cash. Free access to cash has been maintained on a satisfactory basis for consumers, including throughout the coronavirus crisis. The PSR's general support and engagement over the period has been helpful in achieving this.
27. Given that LINK sets its commitments itself on a voluntary basis and without regulatory direction, SD8 itself has had no direct impact on LINK's commitments or on protecting free-to-use ATMs.
28. The requirements that SD8 set relate primarily to reporting by LINK, including transparent publication of supporting policies and data. LINK already publishes this material on a voluntary basis and would do so regardless of whether SD8 existed or not.

Area 3: How well LINK's requirements under SD8 (for example, Direct Commissioning and the Low-Volume Premium) have worked in maintaining broad geographic access?

29. The question incorrectly states that LINK's actions such as Direct Commissioning and Low Volume Premiums are requirements of SD8 which is not the case. SD8 requires LINK to report on its commitment to protect the geographic footprint of the ATM Network as it was in January 2018. LINK's implementation approach includes the use of Premiums and Direct Commissioning to incentivise operators to install and maintain ATMs at particular locations. SD8 is particularly concerned with the Protected ATM estate which forms the backbone of LINK's footprint management approach.
30. The lower closure rate of Protected ATMs compared with other free-to-use ATMs provides strong evidence that LINK's approach is effective at incentivising these ATMs to remain open. For example, some 15 closed Protected ATMs have now been replaced through Direct Commissioning and a further 50 ATMs have been commissioned directly in response to community requests.
31. However, the continued success of tools such as Direct Commissioning is reliant on LINK Members continuing to participate in the bidding process. It is unclear if this will be a sustainable position and LINK notes that it might be necessary to add resilience to this mechanism by developing a back stop Provider of Last Resort. The current "Pledge" by a small number of Members to ensure all sites have a bidder expires in June 2021.
32. Given the current stress on the cash infrastructure caused by declining usage, the PSR may wish to consider how LINK can increase the resilience of delivery of its commitments through development of concepts such as a Provider of Last Resort. In turn, LINK's membership can find meeting funding calls easier if aligned to a regulatory requirement framed in the context of a Specific Direction.

Area 4: Whether SD8 should remain in place, given some of the recent wider initiatives that have been introduced?
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33. Given the Government's intention to legislate to support cash, and the work of the Access to Cash Roundtable that has been led by the FCA and the PSR, SD8 will be superseded by other measures shortly.
34. Therefore, LINK sees limited value in Specific Direction 8 (SD8) remaining in place.

-ENDS-

Natalie Ceeney

From: [REDACTED]
Sent: 28 January 2021 15:30
To: psrcommunications@psr.org.uk
Subject: Re: Call for views: Second review of Specific Direction 8 (LINK)

Dear PSR,

PSR Call for views: Second review of Specific Direction 8 (LINK)

Please find set out below the three reasons that I see for retaining Specific Direction 8 for the time being:

1. Pending implementation of the reforms that the Access to Cash Roundtable is driving, LINK's financial inclusion programme is the main initiative protecting consumers. My assumption is that the PSR will continue to want to understand the effectiveness of LINK's commitment. The Direction is a useful tool to support that until the reforms are in place.
2. Whilst it is up to LINK what the nature of the commitments that it wishes to make are, delivering them requires the ongoing support of the banks for LINK, their continued membership of the Scheme, and willingness to fund the financial inclusion work. We know that this has been fragile in recent times. The involvement of the PSR on a formal basis via this Direction is likely to help the banks see their support in the broader context of maintain accesses to cash and the support of this by the Government. This is useful in the short term and a additional reason to maintain the Direction.
3. In terms of LINK's implementation of its commitments, this has been effective up to now as cash access remains good even during the worst of the pandemic. However, the rapid reduction in cash usage underway and the strain that this will place on commercial deployers will reduce the resilience of LINK's approach which is reliant on the willingness of commercial deployers to participate. Therefore, a focus from the PSR on understanding how LINK is maintaining the resilience of its work would be a useful activity in the coming months. In particular, the concept of a deployer of last resort, and how LINK and the banks may be able to start developing such a concept pending legislation, should be a priority. The PSR can use the Direction to explore LINK's approach to resilience and encourage thinking about the deployer of last resort.

The Direction will hopefully not be needed past the end of this year and, assuming that the PSR is confident of seeing the work of the Roundtable delivered at pace, the Direction should be scheduled to be retired from the end of 2021 without the need for further reviews. This will help to ensure that unnecessary bureaucracy is removed as soon as possible.

[REDACTED] Access to Cash Review

ATM Deposits – a missed opportunity?

There are 16,000 bank branch ATMs in the UK. Around 10,000 of these offer cheque deposit facilities, but only to their own customers. The idea of sharing these facilities was raised back in 2014 when Andrea Leadsom, then Economic Secretary to the Treasury, asked LINK and its members to develop this facility and allow cheque and even cash deposits across the LINK network. LINK responded by developing the appropriate message standards and rules for these transactions but couldn't persuade any of its members to let their customers use the service. With no ability to compel participation and no further regulatory interventions, this shared service still isn't being used.

ACCESS TO CASH REVIEW
Natalie Ceeney
March 2019

Natwest

Call for views: Second review of Specific Direction 8 (LINK)

Response by NatWest Group plc

a. How well LINK fulfilled requirements under SD8 for implementing policies, reporting publicly, maintaining coverage of Protected ATMs, and providing clear and transparent information.

Supporting ongoing free access to cash remains an imperative goal for NWG; we are therefore supportive of SD8. We further support LINK's requirement of Direct Commissioning from SD8 with the ATM pledge and have been actively involved in the tender process within recent months.

Although industry data is limited, we have seen that LINK has been effective in preventing new access to cash gaps being created. Despite the occurrences of both ATM closures and conversions from free-to-use to pay-to-use machines, good coverage of free access to cash has been maintained by ensuring that closures and conversions happen only in areas already well subscribed for cash access. Where this is not the case, LINK have intervened using tools prescribed to deliver against the SD8 mandate.

This supports NatWest's commitment of maintaining ATMs to provide free access to cash and never creating cash access gaps by withdrawing services in key locations. As a result, we believe the process itself to be logical, the mechanisms underpinning it as effective and that the Directive has served its purpose well.

b. How well the requirements under SD8 have worked in practice in relation to protecting free-to-use ATMs.

NatWest believe that the requirements do generally work well in relation to the protection implemented for free-to-use ATMs.

The fact that we have seen ATM closures necessary for ensuring the sustainability of the network without a negative impact on free access to cash, is testament to the success of SD8. Where ATMs are converted from free-to-use to pay-to-use and cash access gaps created, we are strongly in favour of the powers permitted by SD8 for conversions to be addressed.

The importance of SD8 has been particularly highlighted throughout the COVID-19 pandemic through which the usage of ATMs has been greatly reduced. We saw a reduction of 25% in the amount of cash dispensed in 2020 (in comparison to 2019), with the greatest low occurring in April prior to recovery. SD8 has actively worked throughout the period to ensure free access to cash remains possible in a lower cash environment. We believe this demonstrates the imperative role SD8 holds in ensuring free access to cash remains a sustainable service accessible to consumers as we transition into a "less cash" society.

c. How well LINK's requirements under SD8 (for example, Direct Commissioning and the Low-Volume Premium) have worked in maintaining board geographic access.

LINK have adopted a very clear and transparent approach to implementing with SD8. The policies and processes have been well documented and effectively communicated. LINK have ensured NatWest are informed with adequate notice in instances where the classification of our ATMs change to become "protected" resultant of nearby closures.

Nevertheless, due to the continual decrease of cash usage and the resultant increase in commercial pressure on ATMs, concerns were raised in the recent FCA/PSR Working Groups regarding the long-term sustainability of these mechanisms. Although they are currently effective in protecting ATMs, there is no guarantee that the mechanisms will indefinitely be supported by the commercial entities upon which they rely. They must therefore adapt and change to provide additional assurance. To support this aim, the "Provider Of Last Resort" (POLR) concept has been presented to the Working Groups and has been well received across the industry.

The POLR model sees that instances where an ATM is removed, LINK or another body has the power to step in and provide an alternative cash access option. Whoever oversees the POLR would likely be accountable for compliance with SD8 requirements, such as the 1km rule.

d. Whether SD8 should remain in place, given some of the recent wider initiatives that have been introduced.

NWG are of the opinion that SD8 has played an important role thus far and should continue to do so, however for it to remain effective, it will need to adapt to align with the work being undertaken by the wider industry. SD8 has achieved many positive outcomes since its introduction but as cash demand and ATM usage continue to decline, it is not necessarily sustainable. As more solutions are developed to provide additional assurance and guarantees, such as the POLR concept, SD8 may need to evolve to consider multiple channels as opposed to a sole focus on ATM access.

For example, if cash demand in an area declines to a level where an ATM is no longer sustainable, an alternative solution such as cashback can comply with SD8 requirements and potentially provide a more viable solution. A mechanism will be required to allow a change in classification of a "Protected ATM" in the event that it becomes unsustainable as result of a decline in customer demand, and, it can be replaced by a suitable and sustainable alternative.

NWG are offering our full support to the Community Access to Cash Pilots and see that it is important that these pilots are allowed time to complete. We can then take the learnings from these, when assessing new channel options for our customers and the wider industry.

SD8 is currently focussed specifically on withdrawals at ATMs and we believe that a revised version of SD8 has the potential to also help maintain a sustainable deposit market, avoiding the risk of oversaturation. A central body is critical to provide oversight of the deposit infrastructure and maintain focus on sustainability and suitable geographic coverage, until a wider holistic body is established. As cash usage is cyclical in nature, SD8 could evolve to encompass both withdrawals and deposits with different parameters for each.

Closing remarks.

NWG believe that SD8 has been effective in protecting access to cash in critical areas and should remain in place. The requirements and mechanisms work well, and LINK have been clear in their communications regarding policies and processes.

SD8 is critical in protecting cash access and we believe in innovations such as the POLR model and use of supplementary channels can strongly support it. On the conclusion of the access to cash pilots, we would welcome a revision of SD8 and a potential expansion of its scope to the deposit market.

The importance of SD8 has been clearly demonstrated through how effectively it has worked over the last year through the impacts of COVID-19. It has highlighted its necessity to protect consumers who rely on cash by ensuring sustainable access to it as the demand for cash continues to decline.

OneBanks

26th February 2021

Call for views: Second review of Specific Direction 8 (LINK)

OneBanks welcomes the opportunity to respond to his call for views as part of the PSR's second review of Specific Direction 8 (SD8), which is designed to make sure LINK does all it can to fulfil its public commitments to maintain the broad geographic spread of free-to-use ATMs.

It is our view that SD8 should continue as the LINK network operates the most popular channel for free access to cash. However, the PSR should look beyond SD8 and actively encourage long-term solutions to maintaining a UK-wide free access to cash network. The PSR should provide direction for financial institutions and fintechs to provide alternative and new options that offer flexible and sustainable alternatives to LINK, to ensure that consumers and businesses can continue to access cash conveniently and securely.

We have responded to areas c) and d) of the [call for views](#).

We would be delighted to discuss our comments in more detail.

Yours faithfully,

A black rectangular box redacting the signature of the sender.A black rectangular box redacting the name of the sender.

Response to the call for views

c) How well LINK's requirements under SD8 (for example, Direct Commissioning and the Low-Volume Premium) have worked in maintaining broad geographic access.

- LINK's requirements under SD8 have in some cases maintained free access to cash for consumers in rural and deprived communities. 58 free-to-use ATMS that have been targeted for replacement and resolved, with 15 resolved through direct commissioning and 19 resolved through premiums agreed with a LINK member. Direct commissioning has been promoted over social media and undoubtedly provided some communities with the opportunity to maintain free cash withdrawals.¹
- However, some communities require more than one ATM to maintain decent access to cash. Vulnerable residents (including the elderly and disabled) may not feel comfortable using an ATM located outside and would prefer to access their cash for free in a secure environment. Traditionally this would have been provided by bank branches but in the many parts of the UK they have closed, resulting in this option no longer being available.
- It has been noted by researchers at the University of Warwick that there needs to be more transparency in the data provided around ATM and Post Office coverage, as well as the encouragement of all banks and the Post Office should adopt the Open Banking Implementation Entity standard and provide information about branches. The latter would provide UK-wide information on location, capacity and capability of all branches and Post Offices.² This has huge potential to provide accurate local information for personal and business customers when looking to withdraw or deposit cash.
- It is also our view that a pure geographic approach to access to cash is flawed. There is a danger that a focus on near-perfect geographic coverage of cash access points can mask underlying issues. A holistic approach to access to cash would be more appropriate, one that takes into account how people interact with their bank for day-to-day services, with accessing cash being an important service. This would

¹ <https://www.link.co.uk/media/1705/monthly-report-jan-21-final.pdf>

² Andra Sonea, University of Warwick.

include other areas such as, improving digital skills, convenient open hours, promoting the awareness of available facilities and providing human support.

- It is our view that Direct Commissioning and the Low-Volume Premium are not the long-term solutions to maintaining a UK-wide free access to cash network.

d) Whether SD8 should remain in place, given some of the recent wider initiatives that have been introduced.

- In March 2020, the PSR stated in the *Annual review of Specific Direction 8: Response to Call for Views*, that LINK's 'commitment remains a sensible short-term measure and that SD8 should stay in place for the time being'.³ It is our view that given the pace at which people are adopting digital payment methods, (which in itself has been accelerated by Covid-19), and the increased pressure this puts on the cost of maintaining the current cash infrastructure (specifically, free access to cash), the PSR should move away from short-term measures and develop a flexible and sustainable long-term strategy for maintaining free access to cash.
- Withdrawing cash from an ATM remains by far the most popular channel for people to acquire cash. According to UK Finance, in 2019 over nine in ten adults (just under 51 million people) used a cash machine and ATM withdrawals accounted for 85% of total volume of cash acquired and 79% of the value.⁴ It is therefore important that free access to cash via ATMs is maintained.
- However, given the cost challenges in maintaining the LINK network, it is our view that the PSR should seek to ensure that new options are available that can provide consumers and businesses with free access to cash via an ATM.
- OneBanks offers personal and business customers the opportunity to withdraw and deposit cash from an ATM at the OneBanks kiosk, which will always be staffed by a OneBanks team member. By signing up to OneBanks, a customer can withdraw cash from an ATM at a OneBanks kiosk without the transaction running through the LINK network. Rather, it's a bank-to-bank transaction initiated by Open Banking and completed as a faster payment.

³ <https://www.psr.org.uk/media/xjdpw1sw/psr-annual-review-of-specific-direction-8-march-2020.pdf> 1.8

⁴ Calculated using data in 'UK Finance Payments Market Report 2020', UK Finance. Pp.26-27.

- The ATM at a OneBanks kiosk will require biometric or QR code authentication, which will enable customers to make cardless cash withdrawals. This also provides a new level of resilience to the availability of cash in the UK.
- This new channel for free access to cash offers a low cost alternative to the LINK network that enables UK banks to continue to offer free cash withdrawals through ATMs.
- It is our view that this process could be improved to be more frictionless and accessible through the approval of Variable Recurring Payments (VRP).
- VRPs allow customers to safely connect authorised payments providers to their bank account so they can make payments on the customer's behalf, offering more control and transparency than existing alternatives. This relatively frictionless process would go a long way towards ensuring greater access to everyday banking for millions of consumers and a better customer experience for all.
- Sweeping (which is enabled by VRPs), is the automated movement of funds for a customer between two accounts in their name. But sweeping could put some customers at risk.
- OneBanks is proposing a middle-ground, without the need for sweeping and offers total control and minimises risk for consumers. What we are proposing is unique because the customer is required to be there in person, to authenticate their identity and authorise every payment, and the amount, every time. We believe this will provide many more consumers with vital access to easy everyday banking such as withdrawing cash from an ATM.
- The current process for withdrawing cash from a OneBanks ATM requires the customer to use their mobile phone to authenticate every step of the transaction before biometric or QR code authentication approves the withdrawal of cash. VRP will eliminate these steps to make withdrawing cash a much more frictionless experience, which will make it accessible for more consumers especially the elderly and others who struggle with technology.
- The first OneBanks kiosk is operating in the Co-operative supermarket in Denny, Scotland. There are plans to open additional kiosks in Scotland and England over the coming year.

- It is our view that SD8 should continue but the PSR should provide direction for financial institutions and fintechs to provide alternative and new options to ensure that the UK maintains a flexible and sustainable free access to cash network.

Scottish Grocer's Federation

Payments Systems Regulator
E-mail: PSRcashaccess@psr.org.uk

24 February 2021

Dear sir/ madam

PSR – REVIEW OF SPECIFIC DIRECTION 8 (LINK)

The Scottish Grocers' Federation (SGF) is a trade association for the Scottish Convenience store sector. There are 5,025 convenience stores in Scotland, which includes all the major symbol groups, co-ops and convenience multiples in Scotland. SGF promotes responsible community retailing and works with key stakeholders to encourage a greater understanding of the contribution convenience retailers make to Scotland's communities. In total, convenience stores provide over 47,000 jobs in Scotland.¹

Convenience stores trade across all locations in Scotland, providing a core grocery offer and expanding range of services in response to changing consumer demands close to where people live. The valued services provided by local shops include mobile phone top-up (83%), bill payment services (73%), cashback (66%), and branches of the Post Office network (25%)².

Over the last year, the UK convenience sector contributed over £10.1bn in GVA and over £8.9bn in taxes. The sector is more relevant than ever to every type of customer and has key social benefits and is of key economic value to the economy.

SGF welcomes the opportunity to respond to this review of Specific Direction 8.

Questions (a, b & c)

a. How well LINK fulfilled requirements under SD8 for implementing policies, reporting publicly, maintaining coverage of Protected ATMs, and providing clear and transparent information.

SGF welcomes the work carried out by LINK as part of their responsibilities and requirements as set out under SD8. The information which is provided by LINK via its website and other communication channels is clear, accessible, and open.

¹ [Scottish Local Shop Report 2020](#)

² Scottish Local Shop Report 2020

b. How well the requirements under SD8 have worked in practice in relation to protecting free-to-use ATMs.

c. How well LINK's requirements under SD8 (for example, Direct Commissioning and the Low-Volume Premium) have worked in maintaining broad geographic access.

SGF acknowledges the work being carried out by LINK towards ensuring that communities can still access cash for free, for example, through their ATM Community Request Scheme, Retail Centre policy, Community Access to Cash Pilot Scheme and the funding committed by their members for Direct Commissioning.

Our recently published Scottish Local Shop Report (SLSR) 2020 highlights that **77% of local shops provide ATMs for local people, with 55% hosting a FTU ATM and 22% having a charging ATM.**

Compared to the statistics contained in our 2019 report, this represents a) an increase of 13% in the numbers of stores hosting ATM machines 2) a 5% increase in FTU ATMs and 3) a 7% increase in the number charged machines. This makes clear the Scottish convenience stores are playing a key role in providing the communities which they serve with access to cash.

SGF recognise that the extended duration and depth of the Covid-19 pandemic has clearly played a significant role in the current downward trend of FTU ATMs and that many people, as a result, are seeking alternative methods of payment to pay for goods and services.

SGF believe that ATMs should be viewed as 'high street enablers' by providing consumers access to their cash and facilitating economic spend on local high streets and shopping parades. They are a valued and essential part of the cash architecture and are offered as part of a range of financial services provided by Scottish convenience stores.

The ongoing impact of bank closures – as highlighted in our response in 2019 - impacts on cash orientated businesses such as Scottish convenience stores where store owners may have to travel further to bank cash and therefore incur all the additional costs and security implications that come with this.

SGF take the view that FTU ATMs will be an important asset going forward in the economic recovery of our town centres and for the businesses trading in such locations. Also, there are certain groups in our society that will continue to be reliant on access to cash for the foreseeable future such as the vulnerable and the elderly. Consumers also have an expectation that they will be able access their cash free of charge apart from in very isolated or inconvenient locations.

Finally, the UK government announced at its March 2020 budget that it will bring forward legislation to protect access to cash for those who need it and ensure that the UK's cash infrastructure is sustainable in the long term. SGF believe that it is essential that UK

government brings forward legislation at the earliest possible opportunity to address this matter. As part of this process, SGF responded to the HM Treasury *'Access to Cash: Call for Evidence'*³ which was published in October 2020.

We trust that you will find our comments helpful and are happy to engage further with you on this important matter.

Yours sincerely

[Redacted signature block]

³ [HMT – Access to Cash: Call for Evidence – October 2020](#)

Tesco Bank

Good afternoon,

Thank you for the opportunity to provide input to the second review of Specific Directive 8. Please find below response in full on behalf of Tesco Bank.

1. How well have LINK fulfilled requirements under SD8 for implementing policies, reporting publicly, maintaining coverage of Protected ATMs, and providing clear and transparent information.

Tesco Bank remains broadly supportive of the LINK policies and believe they should continue in the short to medium term at least. Whilst the current policies generally address the requirements to protect consumer access to cash, we do believe both this review and any subsequent reviews over the next 18 months should take account of the impact that the Covid-19 pandemic has had on both cash volumes and the commercial sustainability of the policies.

With regards to reporting and providing clear and transparent information, LINK has ensured this has been executed well, providing robust information regarding protected ATMs, coverage and related policies.

1. How well the requirements under SD8 have worked in practice in relation to protecting free-to-use ATMs.

We recognise that LINK faces an unenviable task of balancing the conflicting business models of the issuer banks with those of the ATM deployers. The incentives in place to maintain protected ATMs generally work well in practice, with higher interchange rates, Low Volume Premium (LVP) and the exemption from LINK interchange discounts in 2018 and 2019.

However, we also believe refinements and improvements can be made to the existing practice. Tesco ATMs provide a significant share of the UK's cash access - accounting for 15% of all cash withdrawals made in the UK - which can require multiple ATMs within one store to serve an entire community.

- We believe that SD8 should be applied at a site level. For example, a Tesco store may meet the definition of distance but have more than one ATM to handle demand; these ATMs should not be exempt.
- The policy should not be a one-size-fits-all approach based purely on distance from other ATMs, ignoring other influencing factors. Instead, the policy should be reassessed to ensure that it proactively focuses on protecting those ATMs that really need protecting and those that, if lost, its valuable service cannot be replaced.

1. How well LINK's requirements under SD8 (e.g. Direct Commissioning, the Low-Volume Premium) have worked, in maintaining broad geographic access.

We feel LINK requirements have maintained a broad geographic spread of cash access points. However, this is on a largely reactive basis and believe that a more proactive policy should be established to identify and apply adjusted interchange to 'critical' ATM estates (not simply defined by distance or rural locations). Tesco Bank ATMs are critical to the UK's access to cash infrastructure and are unique in their location, with the impact of Covid-19 heightening the importance of convenience and accessibility when it comes consumers accessing their cash. However, diminishing commercials are putting pressure on the sustainability of these sites.

1. Whether SD8 should remain in place, given some of the recent wider initiatives that have been introduced.

We are supportive of SD8. However, the cash environment has evolved since its inception, no less so than in the last 12 months. Incremental initiatives such as cashback without purchase have a limited reach and appeal and are not capable of replacing an ATM infrastructure.

Additionally, SD8 doesn't consider any consumer demand for cash deposits. We believe an industry solution, if developed, should be included to (i) enhance the commercial proposition and (ii) solve for future consumer demand, not just for today.

Kind Regards,

██████

UK Finance

UK Finance response to PSR Call for Views on Special Direction 8 (LINK)

Closing date: 26 February 2021

1. Introduction

UK Finance is the collective voice for the banking and finance industry. Representing more than 250 firms, we act to enhance competitiveness, support customers and facilitate innovation. We welcome the opportunity to respond to the Payment System Regulator's Call for Views on Special Direction 8 (LINK).

2. Response to Call for Views

a. How well LINK fulfilled requirements under SD8 for implementing policies, reporting publicly, maintaining coverage of Protected ATMs, and providing clear and transparent information.

- UK Finance members are broadly supportive of the LINK Policies and would like to see these continue. They believe that the LINK Policies in general fulfil the needs and requirements to protect access to cash under SD8. As detailed later in our response, some members do believe that it would be useful to revisit the requirements, given the amount of activity underway in the market, and as the Direction is due to end in January 2022.
- LINK has done a good job in complying with SD8 and have fulfilled their obligations in reporting publicly and providing clear and transparent information and data in relation to Protected ATMs. LINK provides good information on Protected ATMs, Policies and Coverage. Visibility of these is good and it is noted that this information is prominently displayed, or can be accessed by a Single Click, on one of the 3 Headline Stories on Home Page of the LINK Website.
- LINK has incorporated specific Protected ATM rules into the Member Operating Procedures to ensure ongoing monitoring and management of Protected ATMs and this has effectively become BAU practice for LINK ATM operators.

b. How well the requirements under SD8 have worked in practice in relation to protecting free-to-use ATMs.

- UK Finance members welcome the LINK incentives in place to maintain Protected ATMs, and generally support that all Protected ATMs receive higher interchange rates and were also exempt from LINK's two interchange cuts in July 2018 and January 2019 as well as the

additional Low Volume Premium (LVP) interchange premium for transactions at Protected ATMs with low usage.

- Some members noted that given the operating costs of maintaining and running a Low Volume ATM, these incentives will only be effective in cases where there is a marginal commercial case to sustain an ATM service. In many cases the costs involved may be too significant and so the additional premiums will not be sufficient to create a commercial basis to continue to provide an ATM service. It is acknowledged that, unfortunately, it is unlikely that any significant increase in additional premiums would be able to offset commercial losses in these cases.
- There is a risk of an ever-growing network of ATMs in areas of low demand, with prohibitive premiums associated, as well as high costs of Direct Commissioning.
- Some members note that the protected ATMs policy should not be a 'one size fits all' approach. Purely basing the criteria for qualification on an ATM's geographical location in relation to other free to use machines may not take into account other important influencing factors. Some members argue that the policy could be reviewed and re-assessed to ensure that it only focuses on protecting those ATMs that genuinely need to be protected.
- Some members suggested that while it is recognised that a methodology is necessary to avoid subjective protection, SD8 should be applied at a site level rather than ATM. For example, a retailer may meet the definition for distance but have more than one ATM to handle demand, this should not be exempt but currently is.

c. How well LINK's requirements under SD8 (e.g. Direct Commissioning, the Low-Volume Premium) have worked, in maintaining broad geographic access.

- There is strong evidence (e.g. through the results of the Bristol University¹ mapping analyses) that a broad geographic spread has been maintained, where people live and spend. The Bristol University research shows 90% of neighbourhoods have access to a free ATM within 1 mile, and 99% within 5 miles, whilst in areas of economic activity, 97% of high streets and retail centres have a free ATM within 500m. Including the other options for obtaining cash (branch, Post Office and cashback) demonstrates the actual coverage in relation to free sources of cash is even higher: 99% of high streets/retail centres within 500m and 100% of neighbourhoods within 5 miles.
- UK Finance members are generally supportive of the various LINK Policies under SD8. Some members made suggestions for ideas of what more could be done, for example,
 - Further Interchange rebalance from over-supply to under-supply areas. E.g. higher rates for low volumes area/machines, most likely to be rural areas or sites away from large public footfall and; lower rates for high volume areas/machines.

¹ Based on pre-covid data. In due course an update that takes account of current customer spread and demand would be welcome.

- Consideration of a potential cap, or maximum amount, paid on Interchange earned at high volume sites to ATM Deployers. Surplus Interchange could then be used to subsidise low volume sites. This may require a reworking of the interchange model. Given many ATM withdrawals are today made at an ATM not affiliated with the customer's bank card, the model does need to take account of a margin.
- Risk and security of the ATM location should be considered within the SD8 framework, increased interchange in low volume locations may not offset either the incremental cost of enhanced security nor the risk appetite of cash losses should the ATM be compromised. Likewise, a JCB attack in a small town may detract from said town welcoming an ATM in the future.
- LINK should be prepared to adopt a multi-channel approach within the initiatives.
- Current mechanisms can often lead to a lag in deployment, leaving customers without service for a period of time – there is a need to prevent gaps (e.g. with mandatory notice period or prevention of closure until a replacement is found).
- Once an area has Protected ATM status this remains in place without review, which can lead to unnecessary and growing expense – there is a need to be able to remove protected status if other cash sources become present in the vicinity.
- Need to consider/address the unintended consequences of the Direct Commissioning Model.
- More transparency of the process, criteria, outcomes and spend at a site-by-site level would be helpful.
- The amount of the Protected ATM Premium should be kept under review.
- The 1km rule for defining Protected ATMs does not always factor in sensitivities such as type of location (e.g. rural/urban). For instance, in rural areas, travelling 5 miles to access cash might be seen as reasonable, whilst closer access is needed in areas of economic activity, i.e. where people spend.
- Not directly related to SD8, but some members noted that it would be helpful to have the IADs brought within the scope of FCA branch and ATM closure and conversion guidance. Furthermore, it would be beneficial to customers if PTU ATMs were required to indicate the nearest free source of cash.
- Some members have also noted that interchange revenue itself and the level at which it is paid is only one factor in determining whether or not an ATM remains in place as a free to use machine. Other factors such as host requests to remove machines, closure of host premises, the availability of suitable premises etc. all influence the coverage of ATMs across the UK.
- d. Whether SD8 should remain in place, given some of the recent wider initiatives that have been introduced. These include LINK's ATM Community Request scheme and

Retail Centre policy, the Community Access to Cash pilot scheme, provision of banking services at Post Office branches, as well as newer initiatives such as the potential introduction of cashback without purchase and shared-banking services such as OneBanks.

- UK Finance members are broadly supportive of SD8. However, some members have noted that the landscape for cash access has evolved since its inception. Protecting key ATMs is only one part of the overall picture of cash access in the UK:
 - For this reason, the industry is looking wider at alternative options for cash supply, acceptance and deposit through a number of other channels.
 - There is also ongoing work to develop a new framework for cash-access and forthcoming legislation from HMT.
 - One of the recommendations from the recent PSR/FCA Roundtable work on Access to Cash focused on the need for a channel agnostic, independent commissioning body to deploy appropriate solutions (to meet an agreed standard) from a range of channels (e.g. cashback), not just ATMs.
- It would be helpful for LINK to undertake future scenario modelling in terms of ATM changes, and discussion/agreement with stakeholders on implications for the sustainability of the initiatives as for instance cash transaction volumes decline.
- LINK may need to further adapt its schemes/policies in light of the recommendations of the PSR/FCA Roundtable on Access to Cash.
- Given all this, it would seem sensible to keep SD8 for now, but review the need for it again once these initiatives are further progressed, and as the Direction is scheduled to end in Jan 2022.
- The other alternatives to ATMs mentioned are helpful for creating sufficient provision and coverage to maintain overall access cash where low volume ATMs are removed. There is a need to look at sustainable solutions for communities over the medium term, and the solution to preserving cash access must incorporate a range of channels beyond ATMs.

END

Which?



Which?, 2 Marylebone Road, London, NW1 4DF

Date: 26th February 2021

Response to: Payment Systems Regulator Call for Views: Second review of Specific Direction 8 (LINK)

Consultation Response

Which? response to Payment Systems Regulator Call for Views: Specific Direction 8

Summary:

- Which? welcomes the opportunity to respond to the PSR's call for views of Specific Direction 8.
- Specific Direction 8 should remain in place at least until legislation to protect access to cash has been passed and a regulatory framework has been introduced.
- The PSR should review how Specific Direction 8 fits into a wider regulatory framework once legislation has passed. In the interim, Specific Direction 8 should be maintained to protect the widespread geographic footprint of ATMs.
- We disagree with the argument that Specific Direction 8 should not remain in place because of the introduction of other initiatives in the cash space. It would be particularly unwise to remove Specific Direction 8 based on the promise of schemes such as cashback without purchase, which are yet to be introduced and tested.
- We are concerned by the continued closure of protected ATMs, including the temporary closure of 48 protected ATMs due to the pandemic. LINK and the PSR should work closely on identifying improvements to the Protected ATM scheme to prevent further closures.

Introduction

Which? welcomes the opportunity to respond to the PSR's call for views on Specific Direction 8. Our Freedom to Pay campaign has been highlighting the need to protect access to cash since 2017.

Cash remains a vital way to pay for millions of people. Our recent research found that there are 2.5 million consumers in the UK who are completely reliant on cash to pay for essential products and services. The ATM network plays a central role in ensuring that these cash-reliant consumers can access the cash they rely on. 91% of cash withdrawals took place via an ATM in 2019, demonstrating the popularity of ATMs for accessing cash¹.

Which? has raised questions before about the effectiveness of LINK's programmes for ensuring that access to cash is maintained. We believe that LINK should continue to improve its programmes, to ensure that they are responsive to changes in the market and remain fit-for-purpose. However, it is vital given the context of the pandemic and the absence of proven viable alternatives that Specific Direction 8 remains in place.

Specific Direction 8 should remain in place

The pandemic has hugely exacerbated the fragility of the cash system, including the ATM network. The repeated lockdowns over the last year have been accompanied by substantial drops in the number of ATM withdrawals². While withdrawal volumes partially recovered over the course of the year, the most recent round of lockdown measures has been accompanied by another drop in withdrawals. According to

¹ HM Treasury (2020) Call for Evidence: Access to Cash. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/926666/Call for Evidence - Access to Cash 15.10.2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/926666/Call_for_Evidence_-_Access_to_Cash_15.10.2020.pdf)

² LINK (2021) Consumer Council Report. Available at: https://www.link.co.uk/media/1703/01126_link_consumer-report-2020-online.pdf

LINK data, withdrawal rates in January 2021 dropped to 98.5 million, compared to 185.1 million in January 2020³.

The reduction in withdrawals coupled with fixed infrastructure costs will threaten the viability of parts of the ATM network. We are concerned that the cash system may fail before legislation is introduced. We know from the experiences of other countries such as Sweden that once key infrastructure is gone, it will be almost impossible to bring it back.

We have called on the Government to introduce legislation as soon as possible to protect access to cash. However, given the severity of the current situation, it is more important than ever that current measures to protect access to cash are maintained until viable longer-term solutions can be introduced. Even if improvements are needed to LINK's protected ATM scheme, the principles of it should not be removed. The ATM network could suffer from even more closures and worse outcomes if it is removed before longer-term solutions are in place.

We disagree with the argument that Specific Direction 8 should not remain in place because other recent initiatives for enabling access to cash have been introduced. These new initiatives fulfil a fundamentally different role to the LINK protected ATM scheme. LINK's other initiatives, such as its "request an ATM" scheme, are focused on filling in gaps in existing ATM provision, rather than maintaining a widespread footprint of ATMs.

Similarly, the Community Access to Cash Pilots is a useful scheme for innovating ways of providing cash access and filling in access gaps in the nine communities the scheme is working with. However, the scheme is limited to a small number of locations and is not aimed at protecting widespread cash access in the same way LINK's protected ATM scheme is. Furthermore, the Community Access to Cash Pilots is still at an early stage and has largely been paused due to the coronavirus pandemic. This means the effectiveness of the solution being piloted is still unclear. Given that these are far from being proven viable alternatives at this stage, they should not be used as a reason to remove Specific Direction 8.

Given the current fragility of the cash network, it would be particularly unwise to remove Specific Direction 8 because of the potential introduction of initiatives like cashback without purchase and shared banking hubs. Given these schemes are yet to be implemented in the UK, it is difficult to determine what their impact on cash access will be. Furthermore, it would be unwise to remove Specific Direction 8 while there is no clear roadmap for the introduction of these schemes.

Therefore, our view is that **Specific Direction 8 should remain in place until legislation is introduced and a regulatory framework to protect access to cash has been implemented.** While it will be sensible to review how Specific Direction 8 fits into a wider regulatory framework once legislation has passed, it is important that Specific Direction 8 is maintained to protect the geographic footprint of ATMs until that point.

Improvements could be made to LINKs protected ATM schemes

In response to previous reviews of Specific Direction 8, we have stressed the importance of ensuring that the protected ATM scheme remains fit for purpose and can adapt to ongoing changes in the market. This is particularly relevant given the changes we have seen in the ATM market over the course of the pandemic.

Our view is that there are improvements that can be made to LINK's protected ATM scheme. In particular, there have been more closures of protected ATMs than would have been expected, given the obligations under the scheme. In our response to the last review of Specific Direction 8, we raised concerns that

³ LINK (2021) Statistics and Trends. Available at: <https://www.link.co.uk/about/statistics-and-trends/>

more than 200 protected ATMs had closed or converted to pay-to-use since February 2018. A year later, that number now stands at 328⁴. The continued closure of protected ATMs is concerning, given the importance of cash access to the communities these ATMs serve. LINK should work with the PSR to identify improvements to its protected ATM scheme to prevent closures.

We have also been concerned by the temporary closure of protected ATMs due to the pandemic. According to LINK's most recent figures, 43 protected ATMs are currently closed as a result of the pandemic⁵. LINK should work closely with the PSR to establish the impact of these temporary closures on cash-reliant consumers and identify solutions to mitigate these impacts wherever possible. This is particularly important given the possibility of continued lockdowns over the coming months.

Which? acknowledges that Specific Direction 8 has led to clearer and transparent reporting, with the monthly ATM footprint reports containing valuable information about the changes to the number of protected ATMs. However, we have previously raised that this reporting could be improved further. In particular:

- LINK should publish information on how quickly machines targeted for replacement are reintroduced to local communities. This information would establish how long communities are being left without access so that any flaws in the replacement process can be addressed.
- LINK should publish more detailed information at the machine level about the reason used to determine whether a machine was targeted for replacement. While LINK's current data identifies where machines have been closed due to a security issue⁶, it is not specified what the reason is for the other machines not targeted for replacement (e.g. because they are not accessible to the public, are near to a Post Office etc.). This information would allow for stakeholders to better understand the decision to not replace a machine and to challenge these decisions where necessary.

About Which?

Which? is the UK's consumer champion. As an organisation we're not for profit - a powerful force for good, here to make life simpler, fairer and safer for everyone. We're the independent consumer voice that provides impartial advice, investigates, holds businesses to account and works with policymakers to make change happen. We fund our work mainly through member subscriptions, we're not influenced by third parties and we buy all the products that we test.

For more information, please contact [REDACTED]
[REDACTED]

February 2021

⁴ LINK (2021) LINK Scheme ATM footprint report. Available at: <https://www.link.co.uk/media/1709/atm-footprint-report-december-2020.pdf>

⁵ LINK (2021) LINK Scheme ATM footprint report. Available at: <https://www.link.co.uk/media/1709/atm-footprint-report-december-2020.pdf>

⁶ LINK (2021) Closed ATMs data. Available at: <https://www.link.co.uk/media/1707/328-closed-atms-accompanying-december-2020-footprint-report.pdf>