

Second annual review of Specific Direction 12

Response to call for views

July 2024

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1 Executive summary

- 1.1** We are the UK’s economic regulator of payment systems. Among the payment systems we regulate is LINK, the UK’s largest ATM network, which allows cardholders to withdraw or deposit cash, check their balance and access services such as mobile top up at any ATM connected to its network.¹
- 1.2** Our [statutory objectives](#) are to promote competition and innovation, and to ensure that payment systems are operated and developed in the interests of the people and businesses who use them. One of [our strategic priorities](#) is to ensure that users have continued access to the payment services they rely on, in ways that work for them.
- 1.3** In March 2022, we gave LINK [Specific Direction 12](#) (SD12). This Direction is designed to ensure that LINK maintains a broad geographic spread of the UK’s free-to-use (FTU) cash machine network and meets service user needs by having in place and maintaining appropriate and effective policies and measures. In 2023, the Financial Services and Markets Act (FSMA 2023) confirmed the FCA’s broader role on access to cash.
- 1.4** This is our second annual review of SD12. It considers how well LINK is meeting our requirements, and SD12’s role in the post-FSMA 2023 regulatory landscape.
- 1.5** Based on the evidence we have collected, including stakeholder responses to our [call for views](#), we conclude that SD12 has worked well in maintaining access to cash via ATMs. Our detailed analysis of the interactions between the Direction and the FCA’s [final cash access rules](#) indicates that SD12 should not be replaced when it expires on 2 January 2025.
- 1.6** Given the FCA’s broadened responsibilities and more comprehensive regulatory regime on cash access, we assess that, currently, there is no need for us to issue a new direction.
- 1.7** We will retain oversight of LINK as a designated payment system under FSBRA 2013, and we will work closely with the FCA in their oversight of LINK as a designated cash access coordination body. As part of our supervisory approach, we will continue to monitor developments in cash access and take swift action to address any potential issues that emerge.
- 1.8** We anticipate that LINK will continue to play a crucial role in maintaining access to cash in future. Building on the progress under SD12, we expect LINK to **maintain a transparent approach** to managing its ATM scheme and network – including through continued publication of documentation and regular reports on its website. It must also ensure **alignment with the broader regulatory framework** on cash access, including the FCA’s final rules and the PSR’s future supervisory approach.

¹ Please note that cash deposit services are available only at some ATMs.

1.9 This document is structured as follows:

- **Chapter 2:** A summary of key facts on access to cash, general trends in cash usage, and LINK's role, along with a background to SD12. This chapter also examines the actions LINK has taken to address the areas for improvement we identified in the first annual review of SD12.
- **Chapter 3:** An outline of LINK's commitments under SD12, and our analysis of the outcomes of LINK's Protected ATM Policy. In our assessment, we have considered LINK's performance on key metrics as well as the feedback provided by respondents to our call for views.
- **Chapter 4:** An assessment of the impact of the measures that LINK has put in place for maintaining and replacing Protected ATMs, including the Direct Commissioning process. Again, we have summarised and considered respondents' feedback in our assessment.
- **Chapter 5:** A consideration of SD12's longer-term role in the context of the changes to the regulatory landscape introduced by FSMA 2023.
- **Chapter 6:** Our rationale for not issuing a new direction when SD12 expires on 2 January 2025.

2 Trends in cash usage and the impact of SD12

Although the use of cash as a payment method has been declining, it remains important for many consumers and businesses. This is why we issued SD12 to LINK.

SD12 ensures that LINK maintains a broad geographic coverage of FTU ATMs in the UK to meet service users' needs. Last year, following our first annual review of SD12, we identified four areas for improvement and made recommendations to LINK. LINK has taken action to address these.

Why access to cash is important

- 2.1** Following a period of steady decline in cash use (with the exception of larger-than-average falls during the COVID-19 pandemic), recent data shows that cash use has stabilised in the last couple of years and remains the second most popular payment method in the UK, accounting for 12% of all payments in 2023.² The FCA's [Financial Lives Survey](#), published in May 2022, estimates that approximately 3.1 million adults 'paid for everything or most things in cash in the previous 12 months'.
- 2.2** ATMs remain the most popular way for people and businesses to access cash, representing 93% of all cash withdrawals in the UK in 2023³ and it is expected that ATMs will remain an important channel for many years to come.
- 2.3** After FSMA 2023 became law, the government set out its policy approach⁴ to ensure access to cash for those who want to continue using it. It designated the FCA as broader powers on access to cash while the Treasury then set out its minimum expectation of cash coverage in its Policy Statement.⁵

Current trends in cash use and coverage

- 2.4** In terms of cash coverage across the UK, the most recent data (Q2 2023) shows that 99.3% of the UK urban population are within one mile of an FTU cash withdrawal point, such as a cash machine or a Post Office branch, while 98.6% of the UK rural population are within three miles.⁶

2 UK Finance, [UK Payment Markets Summary 2024](#)

3 <https://www.link.co.uk/about/news/consumers-withdrew-81bn-from-atms-in-2023/>

4 <https://www.gov.uk/government/news/free-access-to-cash-protected>

5 [Cash Access Policy Statement](#)

6 [Access to cash coverage in the UK 2023 Q2 | FCA](#)

2.5 Over the longer term, cash usage has been in steady decline, as shown in Figure 1.⁷

Figure 1: Cash as a percentage of all payments

Declining demand for cash

Cash as a percentage of all payments:

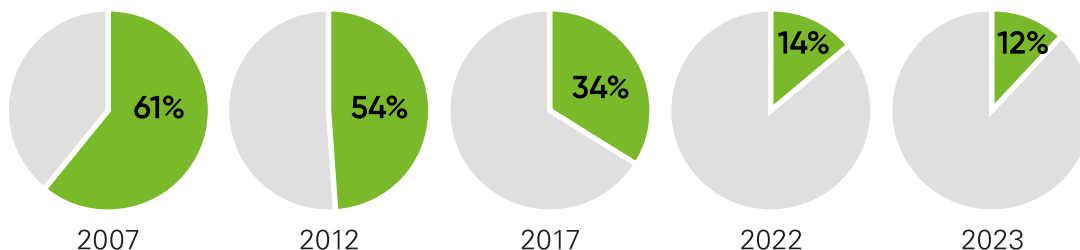
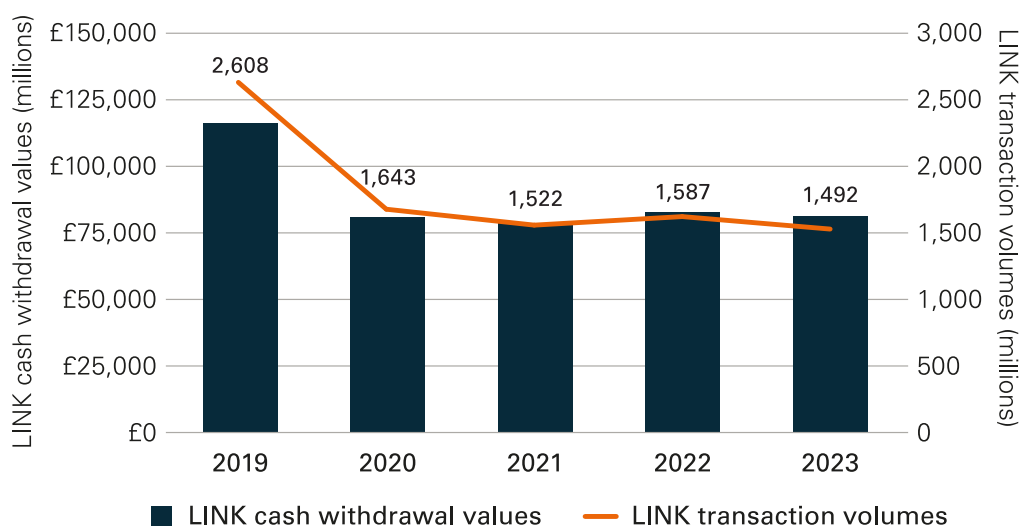


Figure 2: LINK cash withdrawal values and transaction volumes (millions), 2019 to 2023⁸



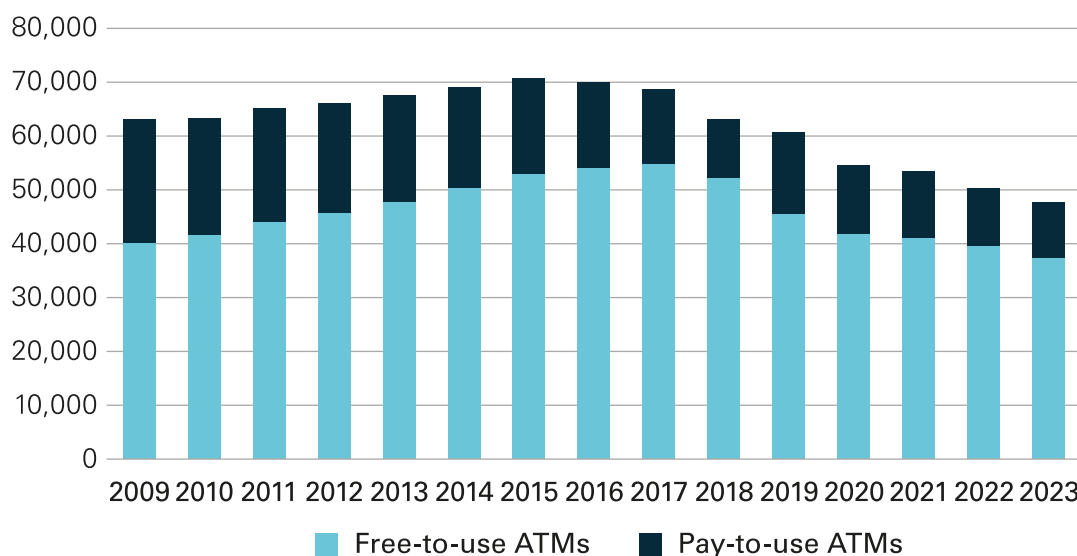
2.6 The value of cash withdrawals has followed a similar trend. Due to the COVID-19 pandemic, there was a significant drop in total value of transactions from 2019 to 2020 (£116.4 billion to £81 billion), but this has since stabilised. In 2023, the total value of transactions was £81.4 billion, 1.6% lower than the previous year.

2.7 There has been a similar decrease in the total number of ATMs in the UK. There were 47,711 LINK ATMs in the UK at the end of 2023, a 5.1% drop from 2022 and a 21.3% drop from 2019. However, there has been an increase in the proportion of FTU ATMs. Almost 78% of all ATMs in the LINK network in 2023 were free to use, compared to 74% in 2019.

7 <https://www.fca.org.uk/publication/consultation/cp23-29.pdf>

8 <https://www.link.co.uk/about/statistics-and-trends/>

Figure 3: Proportion of FTU and pay-to use (PTU) ATMs in the LINK network, 2009 to 2023



LINK's role

- 2.8** We have oversight of LINK, as a designated payment system, under the Financial Services (Banking Reform) Act 2013 (FSBRA 2013). LINK connects UK card-issuing banks and ATM operators, allowing card holders to withdraw cash at ATMs.
- 2.9** LINK does not own or operate ATMs, but sets the rules for ATM providers and card issuers who use the LINK network to process transactions. Generally, when a card holder uses a UK ATM that does not belong to their issuing bank, the transaction takes place through LINK. FTU ATM operators receive revenue through 'interchange fees', which card-issuing banks pay for each transaction. The independent LINK Board sets interchange fees, publishing their [levels](#) each year.
- 2.10** We issued SD12 to LINK in March 2022. It is designed to ensure that LINK:
- maintains a broad geographic spread of the UK's FTU cash machine network
 - meets service user needs by having in place and maintaining appropriate and effective policies and measures
- 2.11** SD12 will be in force until 2 January 2025, unless we vary or revoke it. We said we would review SD12 after 12 months and 24 months. We published the findings of our [first review](#) in July 2023.
- 2.12** This report presents the findings and recommendations of our second annual review of SD12. It sets out our assessment of how well SD12 is working in practice, taking into account the stakeholder submissions we received in response to our [call for views](#), and the changes introduced by FSMA 2023.

First annual review of SD12 – summary of recommendations and actions LINK has taken

2.13 Our first annual review concluded that SD12 was working well and should remain in place. Alongside this, we identified four areas for improvement and engaged LINK to act on our recommendations. The table below illustrates our recommendations and how LINK has addressed the points we raised.⁹

<p>Applying the Defined Radius approach in practice, including how best to take into account economic activity</p>	<p>LINK has confirmed that before replacing any ATM, it assesses local conditions. This can include a site visit to assess local economic activity and cash needs.</p>
<p>Increasing the visibility and the level of detail of LINK’s published data on Protected ATM coverage, including decision-making on ATM replacement and updates to the Protected ATM list</p>	<p>LINK updated its website in summer 2024 to improve accessibility and clarity and enhance the user experience.</p>
<p>The transparency of LINK’s decision-making on setting interchange fees</p>	<p>LINK has published a report about its process for setting interchange fees, alongside confirmation of its 2024 interchange rates.</p>
<p>Improving LINK’s ATM Replacement Procedure (for example, reviews of protected status, reinstatement of Low Volume and Protected ATM premiums at closing sites, Post Office criteria)</p>	<p>LINK continues to offer premiums to existing sites in line with its Protected ATM Policy criteria. It carries out site visits to all protected sites to ensure that it continues to meet users' cash coverage needs.</p>

⁹ ‘Defined Radius’ means a distance measured from the location of an FTU ATM, currently 1km from the date this direction came into force.

‘Protected ATM’ means any FTU ATM which is located more than 1km away from the next nearest FTU ATM.

3 LINK's commitments under SD12

Our analysis of LINK's data, coupled with stakeholder feedback responses to our call for views, suggest that LINK is meeting its obligations under SD12. Respondents were also keen to see more details included in LINK's reports and have raised points related to the practical application of elements of LINK's policies (for example, LINK's Protected ATM Policy).

3.1 As set out in the previous chapter, SD12 requires LINK to have in place and maintain appropriate, effective and well-defined policies and measures in order to meet its obligations to maintain a broad geographic spread of FTU ATMs and meet service users' needs. SD12 requires LINK to:

- use financial incentives¹⁰ to keep Protected ATMs operating and prevent FTU ATMs from converting to pay-to-use (PTU);
- set and apply the 'Defined Radius' approach and explaining how it will adapt this where appropriate to reflect ground-level conditions;
- decide whether to incentivise or otherwise ensure the maintenance, reopening or replacement of Lost ATMs,¹¹ and define the process¹² to do so; and
- set the criteria for determining whether an alternative form of access to cash (including but not limited to the Post Office) could adequately substitute for a Lost ATM.

Protected ATM Policy

3.2 LINK has complied with these requirements through its Protected ATM Policy, which it first developed in November 2018 in response to our Specific Direction 8 (SD8). Under this policy, FTU ATMs located more than 1 km from their next nearest FTU ATM, are given a protected status and referred to as Protected ATMs. This means they attract a higher, protected interchange rate for both cash and non-cash transactions (see paragraph 4.3). This policy is reviewed annually, with the most recent [version](#) published on LINK's website in July 2023.

¹⁰ As defined in LINK's Protected ATM Policy, financial incentives include 'low volume premium', which means the additional premiums card issuers pay at eligible protected ATMs.

¹¹ A Lost ATM is any Protected ATM that has ceased to operate (other than on a temporary basis), switched to a charging for withdrawal of cash, or is scheduled to close within the next 12 weeks.

¹² Defined as 'filters' in SD12.

Transparency

3.3 SD12 also requires LINK to monitor and report on changes to the number of Protected ATMs and to provide information on action to reopen or replace closed ATMs. LINK has addressed these obligations by publishing several documents and supporting tools on its website including, but not limited to:

- [monthly ATM Footprint Reports](#) containing data on LINK's performance on maintaining a broad geographic spread of the FTU ATMs;
- [monthly reports](#) providing an overview on LINK's work on maintaining access to cash;
- [Protected ATM Policy](#) which sets out LINK's approach to PATMs;
- a [cash locator](#) tool which allows users to look up ATMs, Post Offices and cash-at-the-till counters by postcode;
- [Statistics and trends](#) about the LINK ATM network; and
- [LINK Strategic Plan](#) setting out how LINK intends to deliver access to cash as long as communities need it.¹³

Other LINK initiatives

3.4 LINK runs a [Financial Inclusion Programme](#) and a [Community Requests Scheme](#), aimed at supporting a broad geographic spread of FTU ATMs and ensuring free access to cash in the most deprived areas. We provide further information in the [annex to our first annual review of SD12](#).

Respondents' views

3.5 Two thirds of respondents to our call for views agreed that SD12 has been effective in delivering its purpose. These stakeholders felt that LINK had put in place effective policies and measures to meet its commitment to protect the geographic spread of FTU ATMs. Respondents also made suggestions about several provisions in LINK's Protected ATM Policy, which we summarise below.

Access to cash assessments

3.6 Respondents called for greater flexibility in applying cash assessments, which they felt should take into account the profile of the area and its cash requirements. They felt that rather than focusing only on gaps in coverage or 'cold spots', LINK should place greater emphasis on the distinction between rural and urban areas, and examine where consumers shop, work and live, as well as whether they are vulnerable or cash reliant.

¹³ We expect LINK to publish a new plan in 2024, covering the period from 2025 to 2028.

- 3.7** One respondent suggested applying a principle of proportionality when assessing cash needs in cases where a Protected ATM has closed or switched to PTU, supported by a cost-benefit analysis and underpinned by factors such as minimum population size. In their view, this will contribute to keeping infrastructure costs proportionate and ensuring that the market remains efficient.

Consumer detriment

- 3.8** In the context of recent declines in cash usage and falling ATM numbers, respondents have raised concerns about the lack of a mechanism under SD12 to address individual ATM failures in areas with a limited number of FTU ATMs, which can potentially have a detrimental impact on consumers. One respondent emphasised the importance of machine availability and advocated for this to be subject to service-level agreements, included in terms and conditions for operating ATMs. Respondents suggested the following actions to mitigate consumer detriment:
- allowing multiple ATMs in certain areas to be classified as ‘Protected’ to improve resilience
 - introducing mandatory notice periods before the closure or conversion of a FTU ATM
 - prohibiting operators from closing or converting a machine until a ‘replacement’ FTU ATM has been installed

Reviewing the status of Protected ATMs

- 3.9** One respondent suggested periodic reviews of Protected ATMs to check whether new sources of free cash access have been created. In their view, an ATM should cease to be ‘protected’ if another source of free access to cash is installed close to the machine. The reviews might be, for example, annual, or at a frequency that supports a balance between the resources required and the costs of ‘unnecessary’ Protected ATMs.

Transparency

- 3.10** One of our recommendations in the first annual SD12 review was for LINK to increase the level of detail in their published data on Protected ATM coverage. In response, LINK has updated its website to make it more accessible so consumers can locate and access such information more easily. LINK notes in its response to our latest call for views there have been ‘very limited’ requests for further information, which may indicate that LINK’s efforts are addressing users’ needs in this area.
- 3.11** While respondents acknowledged SD12’s role in providing transparency, only one respondent specifically stated that they were satisfied with the progress made to improve transparency. Among the responses, there were calls to improve transparency further by providing more information on:
- **the locations of Protected ATMs** to help deployers understand better how consumers are using the infrastructure;
 - **the ATMs at risk of closure or conversion to PTU** and their real-time status;
 - **the reasons why ATMs are being removed** – for example, increases in operating costs, low number of transactions, or withdrawal of consent by the landlord of the premises;

- **reports of site visits** to improve transparency and provide greater confidence in the decision-making process;
- **LINK’s decision-making process on replacing Protected ATMs** by category;
- **the costs of installing Protected ATMs** via Direct Commissioning and community requests; and
- **evidence of new ATMs’ effectiveness** – for example, how much people use them.

Our analysis and assessment

Outcomes under the Protected ATM Policy

3.12 LINK’s Footprint Report for March 2024 states that there are 3,504 Protected ATMs in the UK. This represents a 4.1% year-on-year increase (139 newly protected ATMs), similar to the 4% growth between March 2022 and 2023.

3.13 The number of Protected ATMs that have permanently closed or switched to PTU (48) in year ending March 2024 has remained similar to the previous 12 months up to March 2023 (47). In addition, the number of Protected ATMs that LINK aims to replace (‘targeted for replacement’) has increased from 68 in March 2023 to 82 in March 2024.

Table 1: Key statistics on Protected ATMs 2021 to 2024

	March 2021	March 2022	March 2023	March 2024	Year-on-year difference		
					2021–2022	2022–2023	2023–2024
Total Protected of which:	3,133	3,237	3,365	3,504	104	128	139
Confirmed as closed of which:	337	382	429	477	45	47	48
Not being replaced	282	325	361	395	43	36	34
Targeted for replacement	55	57	68	82	2	11	14

3.14 One of the underlying reasons for the increase in the total number of Protected ATMs is a general decline in the number of FTU ATMs over recent years. This decline has led to more instances of existing FTU ATMs becoming the only available FTU machine within 1km, thus qualifying them for Protected status. This demonstrates that LINK’s Protected ATM policy is increasingly important for preserving broad coverage of FTU ATMs and, with an increase in closed Protected ATMs being replaced, we conclude that this policy is working well. Nevertheless, we will continue to monitor the situation through the information LINK provides.

3.15 LINK’s Monthly Footprint Reports also provide context on why some ATMs are not replaced. This issue is explored in further detail in the next chapter.

Conclusion

- 3.16** Our analysis of the LINK data indicates that, since the first annual review of SD12, LINK has continued to meet its SD12 monitoring and reporting requirements. We consider LINK's policies have responded well to changes in coverage and can effectively ensure LINK continues to meet its objective of maintaining cash access via ATMs and meeting consumer cash needs. This has been demonstrated by increases in the number of Protected ATMs to ensure cash coverage for consumers as numbers of FTU ATMs decline.
- 3.17** Alongside its new website, LINK has restated in its response to our call for views its commitment to transparency and to addressing the recommendations we made in our first annual SD12 review. We will continue to work, as part of our long-term relationship, with LINK to ensure that the appropriate information is accessible and made available on an enduring basis.
- 3.18** Further, we have discussed some of the above issues raised by respondents with LINK, who has confirmed that under the current scheme rules:
- ATM operators are not required to give notice to LINK if they intend to close a machine or convert it to PTU, unless it is a Protected ATM. For Protected ATMs, LINK expects proactive updates where possible, and receives detailed reporting on a monthly basis from its Members;
 - LINK expects its members to provide a reliable source of cash access through ATMs and adhere to scheme rules;
 - While LINK monitors the Protected ATM network closely, it does not remove the 'Protected' status if alternative sources of free access to cash open in an area. While this can mean a machine receives protected interchange where an alternative ATM is available, it ensures Members can rely on the Protected status and prevents uncertainty in the market; and
 - several types of information requested by respondents are subject to commercial sensitivities, which excludes the possibility of publication. Specifically, this includes the suggestions for information on:
 - areas at risk of closure or conversion to PTU;
 - breakdown of costs of ATMs installed through Direct Commissioning or via a community request; and
 - the impact and usage of new ATMs.
- 3.19** We have used insights from the call for views, such as consideration of conditions on the ground and mandatory pre-closure notifications, to inform our engagement with the FCA as it develops its cash access rules.

4 Outcomes under SD12 to date

SD12 has continued to work well in delivering its purpose. Since last year's review, the number of newly protected ATMs has continued to increase, as has the percentage of Protected ATMs targeted for replacement. LINK has successfully offered financial incentives to operators to prevent Protected ATMs from being closed or switched to PTU.

However, respondents to our call for views flagged that ATM premiums should be focused on areas of greatest consumer and business needs. They pointed out that firms might face practical challenges in meeting the requirements of LINK's Protected ATM policy.

- 4.1** LINK's Protected ATM Policy includes a number of measures and procedures which affect the outcomes of SD12 as a whole.

Defined Radius approach

- 4.2** SD12 sets the Defined Radius at 1km but includes flexibility to allow LINK to change this, provided the distance remains compatible with the objective of ensuring a broad geographic spread of FTU ATMs, and that we do not object to the change.

Maintaining Protected ATMs

- 4.3** LINK has implemented several financial incentives applicable to cash withdrawal transactions to prevent operators from closing or converting Protected ATMs to PTU:¹⁴
- **Protected rate of interchange:** LINK offers higher, protected interchange rates to the operators of all Protected ATMs that were in place in January 2018, the time of LINK's original commitment.
 - **Low Volume Premium:** Operators automatically receive a premium if a Protected ATM completes an average of fewer than 4,500 cash withdrawals per month (based on the previous 12 months of operation).¹⁵
 - **Protected ATM Premium:** a premium offered at LINK's discretion according to its Protected ATM Policy to ATM operators that are planning to close a Protected ATM or convert it to PTU on the grounds that it is not economically viable.¹⁶

14 See Part 5 of LINK's Protected ATM Policy, including appendices 1 (Low Volume Premium) and 2 (Protected ATM Premium).

15 The amount ranges from £0.10 to £2.75 per transaction, depending on which of six usage bands an ATM falls into, based on average volume of monthly cash withdrawals.

16 The amount varies between £0.10 and £0.30 per transaction, depending on which of three usage bands the ATM falls into, based on average volume of cash withdrawals over preceding 12 months.

Replacing Protected ATMs

- 4.4** Once a Protected ATM closes or converts to PTU, LINK assesses the site and considers whether any of the following applies:¹⁷
- **Alternative free source of cash access (Post Office, non-LINK ATM):** The Post Office's Everyday Banking service could qualify as a suitable replacement for a Protected ATM, if it is located within 1km of a Protected ATM and remains open at least five days per week.
 - **No public access:** an ATM which is placed within private buildings or army barracks may not be targeted for replacement unless it is accessible for the public.
 - **Security concerns:** A Protected ATM which has been subject to robbery or any other type of criminal activity may not be replaced until the risk assessment of the site improves.
 - **Lack of community detriment:** A Protected ATMs in a remote location may not be targeted for replacement if, after an onsite assessment, LINK concludes its absence is not causing community detriment.
- 4.5** If none of the above criteria apply, LINK classifies the location as targeted for replacement and adds it to its Direct Commissioning process.

Direct Commissioning

- 4.6** Direct Commissioning is the competitive process LINK uses to install FTU ATMs at locations where Protected ATMs have closed or converted to PTU, or where free access to cash is required for the purposes of financial inclusion. LINK identifies and lists suitable host sites and invites all LINK members to bid for a contract to install and operate an FTU ATM at that site.¹⁸ Once LINK accepts a bid, it expects that the ATM should become operational within six months. While this is an expectation, it is recognised that in some cases it is challenging to install an ATM within six months for reasons outside an operator's control, such as delays in obtaining planning permission.
- 4.7** The process is funded by LINK's card-issuing members. LINK is not involved in the contract between the operator and the site owner hosting the ATM. A detailed description of the Direct Commissioning process is available in Part 5.3.2 of LINK's [Protected ATM Policy](#).

¹⁷ For more information about these criteria and how LINK applies them, see Part 4 of LINK's Protected ATM Policy.

¹⁸ The bid is the sum payable by LINK to the Member to install and operate a FTU ATM. Interchange continues to be paid in addition on a per transaction basis. LINK may conduct up to two independent rounds of bidding if it does not receive any bids the first time it approaches its Members or if the bids it has received do not represent good value for money.

LINK's assessment of the Direct Commissioning process

- 4.8** SD12 requires LINK to provide us with an annual report outlining the considerations given to enhancing the resilience of the ATM Replacement Procedure (the Direct Commissioning process), along with a timeframe for implementing them.
- 4.9** In July 2023, LINK published its [first annual report](#), which concluded that the Direct Commissioning process was working well. It also stated that LINK will explore the development of a Provider of Last Resort (POLR) to step in should the Direct Commissioning process fail – that is, if it became impossible to install FTU ATMs due to lack of participation and/or value-for-money bids from LINK members. The LINK board's view was that a POLR was not required in the short term, but LINK proposed to explore this option further with Cash Access UK.
- 4.10** LINK's [second annual report](#), published in April 2024, reconfirms the view that the Direct Commissioning process is working well, including having satisfactory participation to ensure it remains effective.

Respondents' views

Application of the Defined Radius approach

- 4.11** Respondents to our call for views noted that the 'Defined Radius' approach is still set at 1km despite SD12 allowing LINK to vary the distance, subject our approval and on condition that the broad geographic spread of FTU ATMs continues to be maintained. They pointed out that the current approach does not reflect how much travel might be required in rural areas, contrasting this with the FCA's proposed new cash access rules which set different distance criteria for urban and rural areas and thus reflect consumer needs more accurately based on economic activity and population size.

Timeline for new ATMs to become operational

- 4.12** While LINK's work to maintain and replace protected ATMs has been broadly effective, stakeholders highlighted commercial and practical challenges, which could prevent deployers from replacing an ATM within six months – as LINK currently expects when a machine is being installed through Direct Commissioning. For example, there could be difficulties identifying practical locations to deploy ATMs – sites may not meet security or accessibility requirements. There could be unavoidable delays in obtaining the necessary permissions and planning consents. In certain circumstances, even severe weather conditions may stall the process. Therefore, respondents asked for mechanisms to be in place to prevent a lag in deployment when an ATM deployer announces a closure or conversion.

ATM premiums

- 4.13** Only one respondent commented on the application of LINK's financial incentives to prevent Protected ATMs from being closed or converted to PTU. They argued that Protected ATM premiums should focus on areas of greatest consumer and business need, not on high-volume ATMs whose operators do not need the premium to be incentivised to maintain access – for example, out-of-town supermarket sites. In this respondent's view, the majority of Protected ATMs have the highest level of activity in the network, indicating they do not always need supplemental financial support such as the Protected ATM Premium.

- 4.14** Another respondent pointed out that the existing LINK policy does not allow multiple ATMs provided by a single operator at the same location to obtain protected status, which disadvantages ATM operators who prioritise consumer needs over reducing the supply of ATMs to qualify for a higher level of interchange.

Direct Commissioning

- 4.15** Respondents alerted us that they do not understand why the number of sites going through Direct Commissioning is increasing. They would like to know whether this is due to increased proactivity on LINK's behalf or due to a rising number of ATM 'cold spots'.
- 4.16** Respondents indicated that understanding issues such as local demand, alternative solutions and, potentially, the reasons for closures of Protected ATMs would help them determine whether like-for-like ATM replacement via Direct Commissioning is an appropriate solution. They also suggested that LINK could include additional metrics to help assess the economic performance of Direct Commissioning in the long term.

Interchange fees

- 4.17** Three out of the nine responses brought up the level of interchange fees. One respondent highlighted the impact of a real-term decrease in interchange fees, resulting in FTU ATMs (including those in convenience stores) switching to PTU, affecting both consumers and businesses. Two respondents called for LINK to review interchange fees to better reflect the costs of maintenance and support the FTU ATM network, especially Protected ATMs in remote areas.

Our analysis and assessment

Defined Radius approach

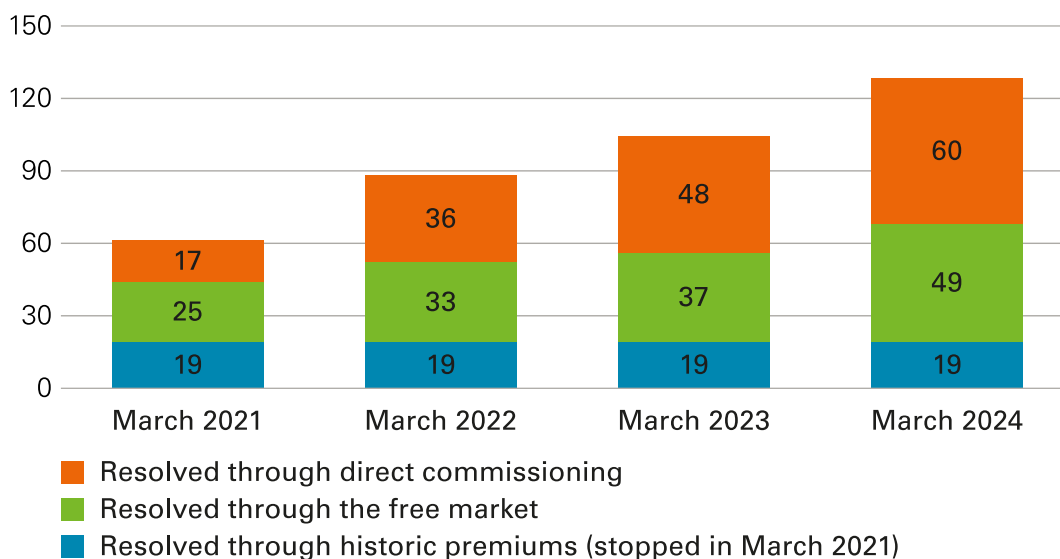
- 4.18** As indicated in the first annual review of SD12, we have discussed the Defined Radius approach with LINK. It has decided to keep the Defined Radius at 1km and explained that any potential replacement of a Protected ATM is based on an assessment of the conditions on the ground. This includes a site visit, and consideration of geographical barriers such as rivers, railways and main roads.
- 4.19** We will continue monitoring LINK's application of the Defined Radius approach as the FCA rules come into force. The access to cash assessment process, which is part of the FCA's rules, has regard to the differences in the distribution of access services in urban and rural areas,¹⁹ taking into account factors such as geographical location, population size and economic activity.

¹⁹ The Treasury's Policy Statement states that the vast majority of people in the UK should have reasonable access to cash deposit/withdrawal services within a maximum of either one mile (in urban areas) or three miles (in rural areas).

Measures to replace and maintain Protected ATMs

4.20 Figure 4 shows that the number of closed Protected ATMs that have been successfully replaced has reached 128, with 24 new ATMs installed in the period between March 2023 and March 2024.²⁰

Figure 4: Cumulative number of ATMs targeted for replacement now resolved, 2021 to 2024



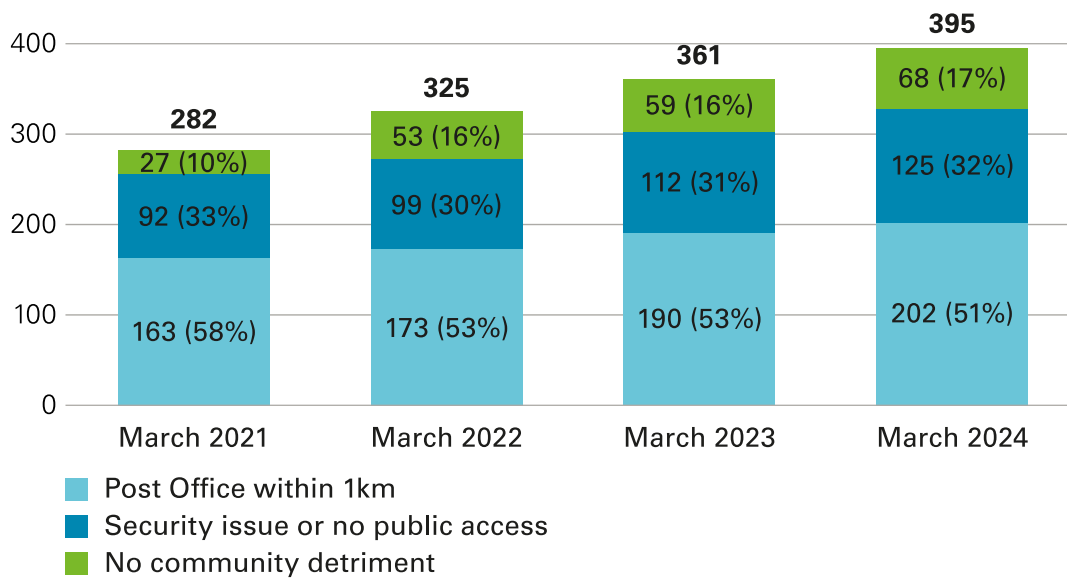
4.21 While the number of machines installed through LINK’s Direct Commissioning has remained constant year-on-year (12), the number of sites where access to cash has been restored without intervention from LINK has tripled, which indicates that operators have become more proactive in addressing gaps in access to cash through commercial provision.

Reasons for not replacing ATMs

4.22 As of March 2024, LINK has categorised 82 closed Protected ATMs as targeted for replacement, representing 2.3% of all Protected ATMs. This percentage is slightly higher than the respective figures for March 2021 and March 2022 (both 1.8%), and March 2023 (2%). As at March 2024, there were 395 closed Protected ATMs (11.3% of all Protected ATMs) that were not being replaced. The reasons for this have remained relatively stable (as a proportion of all replaced PATMs) since March 2022.

²⁰ In March 2021, following an agreement with us, LINK decided to stop offering the Low Volume Premium and the Protected ATM Premium as part of the ATM Replacement Procedure, hence the number of sites resolved through these premiums has remained constant at 19. Previously, LINK offered the premiums to any member who could install an ATM, if the initial offer had been rejected by the original ATM operator.

Figure 5: Reasons for Protected ATMs not being replaced (cumulative numbers)

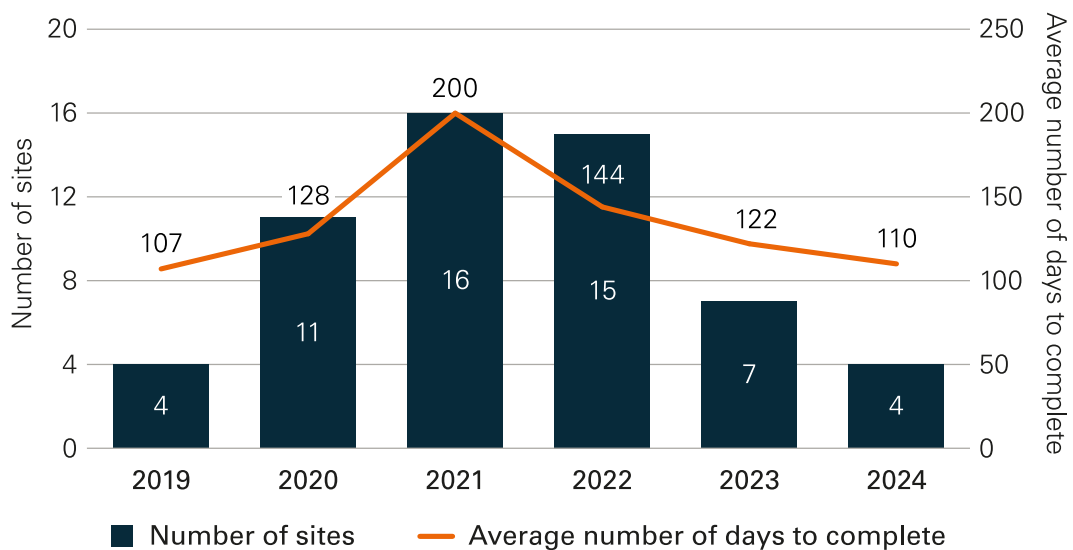


Direct Commissioning

4.23 Direct Commissioning has led to the installation of 12 FTU ATMs between March 2023 and March 2024, identical to the previous year. However, the number of sites currently in the process has increased from 13 in March 2023 to 18 in March 2024.

4.24 The average time required to install an ATM through Direct Commissioning has continued to decrease and has dropped from 144 days in 2022 to 122 days in 2023 (assessed from a sample of 16 and 15 sites respectively).²¹ As of March 2024, it has dropped further, to 110 days at the four sites resolved so far this year. This level is similar to 2019, before the COVID-19 pandemic.

Figure 6: Number of Protected ATMs installed through Direct Commissioning and average time taken



²¹ Please note that the figures in paragraphs 4.23 and 4.24 do not align as the data quoted in paragraph 4.24 captures calendar years from 1 January to 31 December.

Conclusion

- 4.25** Following last year's review, we discussed with LINK the possibility of restoring an old process for offering the Low Volume Premium and the Protected ATM Premium to other LINK members as a first step in the ATM Replacement Procedure where a Protected ATM as closed. LINK explained that offering these premiums has not been effective at keeping machines open and, in fact, artificially slowed the replacement of ATMs. LINK began sending sites to Direct Commissioning in 2020 and has no plans to return to the older process.
- 4.26** LINK currently provides Low Volume Premiums for 3,231 ATMs across the UK – an increase of 101 since March 2023. Where operators have contacted LINK in advance of a conversion or a closure, LINK has successfully offered Protected ATM premiums at 322 sites. The premiums have also played an important role in maintaining Protected ATMs affected by NoteMachine's announcement to convert 1,000 FTU ATMs (around 15% of its FTU estate) to PTU.
- 4.27** As set out above, the reasons for not replacing ATMs have remained relatively stable in the past couple of years. In addition, the Direct Commissioning process has continued to perform well, with the average time required to install an ATM continuing to decrease. The share of Protected ATMs targeted for replacement and resolved through Direct Commissioning increased to 46.8%, from 46.1% in March 2023 and 40.9% in March 2022. LINK's annual reports on the resilience of Direct Commissioning indicate that the process remains effective. We are keen for LINK to meet its commitment to transparency and continue publishing similar reports in the future.
- 4.28** We note that the number of sites in Direct Commissioning has increased from 32 in 2022 to 38 in 2023. This reflects the increased number of Protected ATMs.
- 4.29** We have also discussed these matters with the FCA as it finalises its cash access rules.

Interchange fees

- 4.30** In response to our recommendations in last year's review of SD12, LINK published a report on its process for setting interchange fees. Alongside positive feedback from industry about this report, some respondents raised concerns around elements of LINK's approach.
- 4.31** We acknowledge the need for LINK's interchange fees to help keep the provision of ATMs commercially viable. We note stakeholder calls to expand the scope of LINK's Protected ATM Policy to cover the wider ATM LINK network. However, such an approach would be likely to increase the overall cost for maintaining the ATM network, so would need to be considered carefully.

5 The longer-term role of SD12

Our analysis, supported by responses to our call for views, confirms that the scope of SD12 in supporting access to cash is narrower than the FCA rules.

The scope of SD12 is limited to the LINK scheme and focused on maintaining ATM coverage. By contrast, the FCA's rules promote a 'channel-agnostic' approach, placing the onus on designated firms to meet user needs. We therefore conclude there is no need for us to issue a new direction to be issued when SD12 expires in January 2025.

We will retain our oversight of LINK as a designated payment system under FSBRA 2013 and we will continue to work with the FCA as we develop our approach to longer-term supervision.

The regulatory landscape introduced by FSMA 2023

- 5.1** FSMA 2023 confirms the FCA's broader role in access to cash regulation, whilst the Treasury's Policy Statement sets out the government's aim for the vast majority of people in the UK to have reasonable access to cash deposit and withdrawal services within a maximum of either one mile in urban areas or three miles in rural areas.
- 5.2** The FCA has [consulted](#) on their proposed regulatory framework and now published their final rules and policy statement.
- 5.3** We will continue to provide oversight of LINK as a payment system designated to us under FSBRA 2013.

Respondents' views

- 5.4** While our call for views concluded before the publication of the FCA's final rules, over half the respondents expressed a preference for us to retire SD12, on the grounds that the FCA's access to cash rules included sufficient protections for cash users. A potential extension of SD12 could lead to an overlap in requirements, potentially imposing extra costs and regulatory burdens on LINK and the wider cash system. This could lead to confusion among stakeholders and consumers and cause difficulties in implementing those requirements effectively.

- 5.5** One respondent suggested that, even with the introduction of the FCA rules, SD12 could still play an important role. They felt we, together with the FCA, should work to identify any potential gaps between the two regimes and assess the need for additional or complementary rules before SD12 expires in January 2025. Another respondent argued that SD12 should remain in place as an extra layer of oversight, to ensure that ATM operators' and card issuers' strategies meet customer needs. They further suggested that any new Specific Direction should be broader in scope, for example including cash deposits via ATMs. Another respondent suggested that availability and options on access to cash should be supported by a public information campaign.
- 5.6** The remaining three respondents either stated no clear preference on the future of SD12 or did not address the question.

Our assessment

- 5.7** The PSR (through Specific Direction 12) and the FCA (through its cash access rules) have a common objective in meeting consumers' needs for access to cash services. However, SD12 is focused on delivering cash access exclusively via ATMs through oversight of the LINK scheme. The FCA's rules are more comprehensive and promote a channel-agnostic approach to meeting cash access needs, allowing for alternative solutions, such as Post Office Banking Hubs.
- 5.8** As part of the FCA's work to finalise their policy approach, we have been working closely to minimise duplication of our respective regimes and avoid the emergence of regulatory gaps. Through this work, we are confident that the FCA's cash access rules are more comprehensive and address deficiencies in a wider range of scenarios than the current SD12 regime.
- 5.9** Once the FCA's rules come into force on 18 September 2024, our view is that the processes under SD12 would either overlap or potentially confuse stakeholders, while its removal would not lead to any regulatory gaps. A majority of respondents share our view.
- 5.10** In addition, the processes under SD12 take effect following the closure of an ATM. In contrast, the FCA's regime applies before the closure of a cash access facility (including but not limited to ATMs), placing the onus on designated firms to meet user needs and address anticipated deficiencies. These firms include major banks and building societies, the majority of which are also members of LINK.
- 5.11** Therefore, our view is that we should not extend or replace SD12 when it expires on 2 January 2025.
- 5.12** Regardless of any decision about the future of SD12, we will continue to retain its oversight of LINK as a designated payment system under FSBRA 2013. We will continue to work with the FCA as we develop our approach to longer-term supervision, including monitoring developments and acting swiftly to address any potential emerging issues.

6 Conclusions and next steps

6.1 After analysing the evidence we have collected and stakeholder responses to our call for views, we conclude that SD12 is working well. Given the upcoming changes to the cash access landscape, we consider that SD12 has served its purpose in holding LINK to account on its commitments. It should be retired when it expires on 2 January 2025, as the FCA’s new cash access regime becomes operative.

6.2 We base this on the following observations:

<p>Issuing a new direction would complicate the regulatory framework with no clear benefit to outcomes, while SD12’s removal will not lead to any regulatory gaps</p>	<p>Given the more comprehensive FCA regime, there does not appear to be a need for us to issue a new Specific Direction under FSBRA 2013 at this stage</p>
<p>Overlapping regulatory remits are likely to confuse stakeholders and a risk of undermining firm compliance with FCA rules</p>	<p>Alignment with our regulatory expectations and approach in supervising payment system operators</p>

6.3 We will retain oversight of LINK as a designated payment system under FSBRA 2013 and use its long-term supervisory approach to address any potential emerging issues.

6.4 We anticipate that LINK will continue to play a crucial role in maintaining access to cash in the future. We will work closely with the FCA in their oversight of LINK as a designated cash access coordination body.

6.5 We expect that LINK will build on the progress it has made under SD12, maintaining the trust and confidence of their users and participants and managing risk to compliance with payment system rules, as set by our principles. Therefore, LINK should continue to build on the outcomes achieved by:

- maintaining a transparent approach to managing its ATM scheme and network by publishing key documentation and information on its website, prioritising accessibility and consumer and stakeholder needs; and
- ensuring alignment with the broader regulatory framework on cash access, including the FCA’s final rules and the PSR’s future supervisory approach.

Our current view is that the FCA’s rules can achieve the outcomes in cash access we want to see. If an issue arises in the future, we will consider whether a further intervention is required.

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