

LINK Scheme Ltd.
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BY EMAIL

On 31 January 2018 the Board of Link Scheme Holdings Ltd (“LINK”) issued its decision on the scheme’s interchange fees. LINK’s decision included a series of measures designed to preserve the current geographic spread of free-to-use (FTU) ATMs.

Prior to LINK making its decision on interchange we had three key requirements of its proposals. Those requirements were:

- i. a commitment by LINK to do whatever it takes to protect the current broad geographical spread of FTU ATMs;
- ii. that any cuts in interchange must be incremental and accompanied by close monitoring by LINK to understand the impact on the overall ATM estate – with action taken by LINK where the impact is not as expected; and
- iii. a greater focus on the Financial Inclusion Programme – to continue to fill gaps in the FTU ATM network.

LINK’s decision has addressed these requirements. However, as we set out in our public response to LINK’s decision dated 31 January 2018, we will continue to actively monitor developments and require LINK to provide us with regular detailed updates. If we believe that these commitments are threatened then we will intervene.

During separate discussions with us in early February 2018, LINK committed to monitor the impacts of its decision to highlight any areas where free ATM availability is lost and ensure that it responds appropriately so that all communities retain free access to cash.

LINK's monitoring and reporting will help us to assess in a timely way whether LINK delivers against the commitments it has made and acts quickly and proactively if there is a negative impact on consumers. It will also help us assess whether LINK's strategies are meeting consumers' needs in general terms and whether there is more that LINK could do in the interest of consumers.

In the following paragraphs we set out in detail our expectations of LINK's monitoring and reporting activity. We appreciate that LINK has already started developing its monitoring programme and that it has already been considering some of these points.

Starting on 1 July 2018, we expect LINK to monitor and report to us on a regular (monthly) basis on the following:

- i. any changes to the FTU ATMs covered by LINK's commitment to preserve the current geographic spread (i.e. those with no other FTU ATM within 1km). That should include as a minimum: the numbers and locations of FTU ATMs that have closed; their characteristics (e.g. whether they are bank branch ATMs or ATMs provided by independent ATM deployers (IADs), distance from the nearest FTU ATM; whether and how quickly an alternative ATM is or will be operational at the site); reasons for their closure and demographic impact (i.e. how many people have been affected). LINK should also set out whether it considers that these changes are outside its expected parameters (and explain what these parameters are);
- ii. any decisions or actions LINK has been taking to ensure the geographic spread remains unaffected (i.e. actions to put back a FTU ATM following a closure) and to manage any potential negative impacts on the geographic spread of the FTU ATMs. This should include the factors taken into account in reaching its decision and how the decision has been influenced by the LINK monitoring activity;
- iii. any decisions made by LINK in relation to its Financial Inclusion Programme, including the factors taken into account in reaching its decision and how the decision has been influenced by the LINK monitoring activity; and

- iv. how any monitoring activity has impacted on LINK's strategy or decision making in relation to the rate of interchange fee.

We appreciate that LINK intends to publish monitoring information for transparency and the benefit of the public. We expect LINK will publish, on a monthly basis, all the information reported to us (as specified above) to the extent doing so will not publicly disclose confidential information.

We expect LINK to provide to us all the monitoring information at least seven days (not counting weekends and bank holidays) ahead of each publication. We also expect LINK to provide to us any additional information and documents, relating to its monitoring activities and decisions so that we can understand LINK's activities in context and verify information if necessary. This may include LINK's confidential information that cannot be published and copies of un-redacted sections of relevant Board Minutes.

We expect LINK to continue to bring to our attention immediately any regulatory or consumer issues or concerns that may arise including any proposed changes to LINK policy.

I hope this letter provides clarity on our expectations about LINK's monitoring and reporting going forward. Should you want to discuss anything further, please do not hesitate to contact me.

Yours sincerely,

Hannah Nixon

Managing Director

Payment Systems Regulator