



Link Scheme Holdings Ltd

Gordon Lindhurst MSP
Convener
Economy, Jobs and Fair Work Committee
The Scottish Parliament
Edinburgh
EH99 1SP

14th September 2018

Dear Mr Lindhurst,

Thank you for your letter regarding the Economy, Jobs and Fair Work Committee's published report on Bank closures. You have asked for responses in reference to three specific parts of the committee's recommendations, so I will answer each of these in turn below.

Recommendation One: *As noted above, bank branch closures are causing difficulties for businesses across Scotland. This includes having to travel long distances to deposit takings in a bank. The Committee welcomes LINK's willingness to consider expanding services to allow businesses to deposit cash; we ask them to consider this further and to respond to the Committee on developments in this area.*

LINK agrees that offering deposits at automated devices is a desirable service to be ready to expand into as the market demand develops. To that end, LINK has already invested to upgrade its central infrastructure to support such transactions.

The decision to make use of this capability is up to deployers and issuers. Whilst at present, none have yet offered this service through LINK, we aware that the provision is being considered by a number of LINK participants (either through LINK or through other schemes). LINK remains committed to supporting deposit transactions as the market develops.

Recommendation Two: *The Committee welcomes that, in contrast to bank branch provision, a commitment has been made by LINK on seeking to ensure ATM provision within a kilometre of each other through its payment regime, along with limited subsidy for the areas where the need is greatest. However, we do have concerns about this provision being sustained in the longer-term.*

LINK has committed to protect the interchange rate for all free-to-use ATMs that are more than 1 kilometre away from their next nearest free-to-use ATM. If a community loses its protected ATM, and has no other source of free cash such as a Post Office, LINK will apply premiums to the site to incentivise an operator to replace the service for consumers. For these areas where the need is greatest, higher premiums will be paid if needed (although LINK cannot actually install an ATM, so the decision is ultimately down to the marketplace). LINK has also tripled the subsidy available in deprived areas with no free ATM with a kilometre to incentivise deployers to provide a free ATM.

LINK shares the Committee's concerns regarding the long-term sustainability of these arrangements. Cash usage is declining. Volumes of cash withdrawals in 2018 are 5% lower than the same period in 2017 and cash is forecast to account for just 16% of payments by 2027. This will put pressure on a large number of ATMs to close. LINK has limited powers to target ATM

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provision in specific areas. For this reason, an independent Access to Cash Review has been established to consider consumer requirements for cash over the next five to fifteen years. LINK is funding the Review, but the Review is independent from LINK. Its main objective is to ensure that there remains an effective and inclusive cash access service that meets the needs of all consumers, regardless of their personal circumstances, for as long as necessary.

The Review will be broad, transparent, open and independent and will be chaired by Natalie Ceeney CBE. It will conduct its work throughout 2018 and report early in 2019.

The Review is supported by a panel of independent consumer and industry experts and a call for evidence is currently open at <https://www.accesstocash.org.uk/> The Review welcomes input from all stakeholders.

LINK is encouraging all stakeholders to input to the Review and hopes that its recommendations will help policy makers make the necessary changes to the cash system to give the optimal results for the UK and its citizens. LINK itself will pay close attention to the Review's recommendations.

Recommendation Three: *Following the bank branch closures in Scotland, ATMs have become a lifeline in many communities. We recommend that their provision should have independent oversight and should be included in any revised statutory arrangements put in place following revision of the Access to Banking Standard.*

The ATM market in the UK is currently a competitive market and ATM deployers and card issuers make their own decisions on the provision of ATMs and their participation in the LINK system versus any other ATM network (there are two alternatives in the UK, VISA and Mastercard). LINK itself has a public interest remit, its Board comprising entirely independent members with no links to ATM deployers or banks. It is dedicated to maintaining free access to cash through a broad network of ATMs. Through its approach to interchange and financial inclusion (described in the answer to the second question) LINK ensures better ATM coverage than would exist than if each card issuer and ATM deployer operated independently.

"Independent oversight" can have many meanings. It can be argued that LINK currently provides aspects if this this. However, if "oversight" means control, for example an obligation on banks to provide ATM services in specified ways, then this raises much wider issues. There may well be merit in including some reference to ATMs in any revised Access to Banking Standard. It is the banks' customers that need access to cash and the banks clearly have some responsibility to ensure that this is adequately provided. LINK is happy to work with policymakers to explore this further.

I trust my letter answers your questions satisfactorily but please do advise me if I can be of any further assistance on these matters.

Your sincerely,

A handwritten signature in black ink, appearing to read "Mary Buffee". The signature is fluid and cursive.

Mary Buffee

Head of Consumer Affairs