

LINK CONSUMER COMMITTEE

2010/2011 Report

This report describes the work of the LINK Consumer Committee in the year from August 2010 to July 2011, and the Committee's assessment of the effectiveness with which the LINK Scheme has met its consumer-interest objectives. It has been prepared and approved by the members of the Committee.

Forward from the Committee Chairman

The Consumer Committee has had another busy year having been involved in a diverse range of important issues. It has been delighted with the significant progress made in bringing free-to-use cash machines to the UK's more deprived areas. Targets agreed with parliament's Treasury committee and government have now been exceeded, with over 95% of all areas in the lowest quartile of the UK's deprivation indices now having local free of charge access to cash through an ATM. The Committee's only regret in respect of this financial inclusion programme is that, contrary to indications back in 2007, benefit recipients using the Post Office Card Account, arguably the set of cardholders who should benefit most of all from more convenient access to their cash, are still not able to use these ATMs.

Measures to combat fraud have importantly occupied a lot of the Committee's time. There has been good evidence that efforts to reduce the incidence of "skimming" at ATMs have made this type of fraud significantly more difficult for criminals, with many of them turning to less sophisticated and less effective fraud methodologies such as trying to capture cards. Despite the successes achieved in the fight against fraud and a sharp reduction in fraud losses, the Committee is keen to see cardholders protect themselves against risks by the simple and effective measure of shielding their PIN.

The Consumer Committee rightly believes in the importance of access and transparency for customers. Whilst some programmes that have occupied the Scheme during previous years, such as upgrading signage at pay-to-use ATMs, have been completed, others are just beginning. Most notable in this category is work to increase the quantity of £5 notes that is dispensed from ATMs. With ATMs dispensing an ever-increasing proportion of the cash in circulation, this programme is important to improving the quality and availability of £5 notes and the work started on enabling charity giving through ATMs is an important initiative.

I would like to thank the members of the Committee for their time, insight, advice and support for these programmes.

Dr Ken Andrew
September 2011

CONTENTS

THE ESTABLISHING AND PURPOSE OF THE COMMITTEE	Page 4
Members of the Committee	Page 4
Objectives of the Committee	Page 5
REPORT ON THE WORK OF THE COMMITTEE AND LINK SCHEME IN 2010 / 2011	Page 6
Financial inclusion and access to free-of-charge cash withdrawals	Page 6
Access to the UK ATM Network for the Post Office Card Account	Page 8
Fraud	Page 9
£5 notes	Page 10
Charity giving	Page 11
Cash retracts	Page 11
Signage	Page 12
Overall assessment by the Committee of the LINK Scheme's performance against consumer-interest objectives	Page 13
Annex 1: Complaints procedures	Page 14

THE ESTABLISHING AND PURPOSE OF THE COMMITTEE

The Consumer Committee was established by the LINK Scheme in April 2006 to represent the interests of consumers and to advise the Scheme on consumer issues that relate to the LINK ATM Network.

The Committee is independent of the LINK ATM Network's other governing bodies, although two representatives from card-issuing financial institutions and two from cash machine deployers that do not issue cards have places on the Committee alongside the external independent members.

Members of the Committee

The Chairman

- **Doctor Ken Andrew** has had responsibility for businesses in over 28 countries around the world, most of these in the consumer financial services area. Dr Andrew also acts as Chairman of LINK's Network Members Council which brings together the banks, building societies and cash machine deployers that participate in the LINK ATM Network and are therefore members of the "LINK Scheme".

Members

The Committee is comprised of independent members who represent consumer interests, two representatives from card-issuing financial institutions and two representatives from LINK Scheme members that deploy cash machines but are not card issuers.

The following served as members of the Committee between July 2010 and August 2011.

- **Margaret Bloom CBE**, an economist and Visiting Professor in the School of Law, King's College London. Margaret works as a senior consultant for Freshfields Bruckhaus Deringer following her retirement from the OFT in 2003 where she was Director of Competition Enforcement. Margaret is also Deputy Chair of the Money Advice Trust.
- **Baroness (Anne) Gibson OBE of Market Rasen**, a Labour Member of the House of Lords, appointed as a life peer in 2000. Baroness Gibson has extensive experience in issues surrounding equality, health and safety and industrial relations.
- **Tony Herbert**, Social Policy Officer (Essential Services) at Citizens Advice,
- **Cathy Finnegan**, Citizens Advice.
- **Marie Burton**, Senior Policy Advocate at Consumer Focus.
- **Oliver Morgans**, Consumer Focus.

- *Caroline Mooney*, Consumer Affairs Officer, at the Consumer Council for Northern Ireland.
- *Ron Delnevo*, Managing Director, at Bank Machine.
- *Gary Sennett*, Service Performance Manager, Self Service, at Barclays Bank.
- *Ian Vernon*, Head of ATM Business Unit, at Santander Corporate Banking.
- *Tim Wilder*, Managing Director, at InfoCash.

Objectives of the Committee

The Committee was established to provide advice on matters which affect cardholders' use of LINK cash machines to the Network Members Council which governs the LINK ATM network or "LINK Scheme". Effectively all cash machines in the UK, both free-to-use and pay-to-use, are part of the LINK network.

The independent members of the Committee in particular are asked to represent the interests of consumers in their advice and recommendations to the Network Members Council, and in their review of LINK ATM Scheme policies and practices.¹ They are asked to assess the effectiveness with which the Network Members Council has fulfilled its objectives to:

- listen to and take account of the interests of cardholders;
- provide universal acceptance of cards in cash machines in the UK (and potentially Europe);
- provide transparency on direct charging at cash machines;
- ensure clarity of branding so that customers know who is responsible for each cash machine that they use and;
- ensure that customers have secure, reliable, access to their cash at cash machines.

The Consumer Committee does not have executive responsibility for running the LINK network.

¹ The Committee is not responsible for individual cardholder complaints, which should be addressed to the relevant member of the LINK Scheme i.e. the bank or building society which has issued the card used in the cash machine, or, as appropriate, the LINK member which operates the cash machine. The Committee may, however, choose to investigate concerns evident from consumer complaints. See Annex 1 for a description of how and to where complaints should be made.

REPORT ON THE WORK OF THE COMMITTEE AND LINK SCHEME IN 2010/2011

Financial inclusion and access to free-of-charge cash withdrawals

Background

In December 2006, an ATM Working Group chaired by John McFall MP, then Chairman of Parliament's Treasury Select Committee, agreed a programme to install free-to-use cash machines across as many as possible of the UK's more deprived areas.

The ATM Working Group brought together government, consumer groups, major ATM deployers and card issuers, the Post Office and the LINK Scheme. One of the objectives of the Group was to identify whether significant gaps existed in LINK's free-to-use ATM network, particularly in lower-income areas, and whether there were any trends in the availability of free-to-use cash machines. There was particular concern that free-to-use machines might be becoming concentrated in busier and more prosperous town centres but disappearing from lower-footfall and more deprived locations.

Comparison of LINK data on cash machine distribution with government-produced data on deprivation showed there was a significant number of relatively deprived areas without local free-to-use ATMs. The ATM Working Group concluded that an estimated 600 new free-to-use cash machines were needed to address comprehensively cash access issues in these target areas. The Working Group recognised, however, that it would not be possible to install an ATM in every deprived area of the UK on account of lack of suitable premises to house an ATM in some areas.

In December 2006, the LINK ATM Scheme also made an innovative change to its "interchange" rules through which card issuing banks offer a financial incentive to cash machine operators to deploy free-to-use cash machines in target financial inclusion areas. This "financial inclusion premium", an arrangement unique in the world, is intended to provide a lasting incentive for cash machine operators to deploy and maintain free-to-use cash machines in target areas where they are most needed.

At the same time, a number of LINK cash machine operators – both banks, and independent ATM operators – undertook to deploy several hundred new free-to-use machines in these target areas.

Both steps represented a major commitment by LINK ATM operators and LINK card issuers to support financial inclusion in lower-income communities by expanding the free-to-use ATM network.

Progress to date

The target of deploying 600 new free-to-use ATMs in deprived areas was reached in the first half of 2009. LINK Scheme members have, however, continued efforts to find suitable ATM sites in the target areas where there is still not yet a free-to-use cash machine.

By mid-July 2011, a total of 815 new free-to-use ATMs had been installed in the target areas, with a further 16 under contract. The new cash machines already installed have brought local free-of-charge access to cash through an ATM to around 1.9m people previously without a free-to-use cash machine in their area.

Over 95% of all areas in the lower quartile of deprivation indices now have a free-to-use ATM within the area or within 1 kilometre of the area's centre.

In its 2009/2010 report, the Committee noted that a few areas, notably Northern Ireland, continued to lag behind in terms of cash machine deployment and should be the focus of attention. LINK has continued to work closely with the Consumer Council for Northern Ireland to investigate the scope for deploying more free-to-use ATMs in target areas in Northern Ireland. This has resulted in 9 new ATMs being installed over the past year, with a total of 54 new free-to-use ATMs made available in the target areas in Northern Ireland. This means that Northern Ireland no longer lags behind other regions and indeed now has among the highest proportion of resolved areas. However, this programme is ongoing, there are no grounds for complacency as there is continuous churn in ATMs sites and work will continue to find solutions in the remaining target locations, including those in Northern Ireland, where some target key areas remain.

Looking across the UK, and in consultation with the Consumer Committee, the LINK Scheme has focused its efforts on the 44 locations where there was more than one adjacent "Super Output Area"² without a free-to-use ATM within the Area or within 1km of the Area's centre. 89 new ATM sites have now been identified in these areas. Work will continue to reduce further the number of outstanding target areas, though the scope for further new deployments is decreasing as the number of remaining target areas falls. In some locations it is unlikely any ATM site can be found because, for example, the population is highly dispersed or no suitably secure premises exist.

In 2009 the Communities and Local Government department undertook a public consultation on planning consent policies and procedures covering, among other issues, ATMs.³ Following concern in LINK's Consumer Committee that the prospective new rules might complicate rather than facilitate the objective of extending the free-to-use ATM network into deprived areas, LINK responded to the consultation with details of areas where proposals, despite good intentions, risked making processes less open, more complex, and more expensive than currently. The Communities and Local Government department concluded that it did intend to expand the prior approval regime to include ATMs, but not in the April 2010

² Super Output Areas are government-defined areas, typically with a population of around 1,400.

³ *Improving Permitted Developments – Consultation*, 16 March 2010

<http://www.communities.gov.uk/documents/planningandbuilding/pdf/1505476.pdf>

legislative package. The policy of the new government in this area is not known to LINK but any change to this area in the immediate future seems unlikely.

Other changes to the UK's LINK ATM network

During the second half of 2010 and first half of 2011 there has continued to be a slow but steady growth in the number of free-to-use ATMs in the UK, with the total number of free-to-use ATMs in the UK's LINK network increasing by 1,360 machines during this period. This represents a slight decline in the growth rate compared to previous years. In the same period there was a reduction in the number of pay-to-use ATMs by around 675 making the overall size of the UK LINK network slightly larger than it was a year previously at 63,800.

In August 2011⁴ Royal Bank of Scotland Group announced that it was withdrawing LINK ATM access from its Basic Bank Account customers, but at the same time offering those customers more choice and wider access to the banking services that it offers, as part of a repositioning exercise for all its current account products.

Concern about the potential impact of this action upon the consumer was raised by a number of LINK Network Members, the Treasury Select Committee and Consumer Groups. The LINK Scheme Executive, in consultation with the Chairman, has been giving serious consideration as to whether the LINK Scheme might do more to protect the interests of the consumer in similar situations.

Currently there is nothing in the LINK rules to prevent a member from withdrawing cards from LINK and in considering what might be done to manage such matters in the future, it has become apparent that even to discuss doing so in a scheme forum could raise some significant competition issues.

Formal legal advice has confirmed that there is little the LINK Scheme can do in this respect without danger of contravening competition law and this will be the subject of further explanation at the Consumer Committee meeting in November.

Access to the UK ATM Network for the Post Office Card Account

In terms of financial inclusion, the most frustrating lack of progress in 2009/2010 was the continued unwillingness of the previous government to support access to the UK's ATM network for Post Office Card Account holders. The LINK Scheme Executive continued to try and address this issue in 2010 and the LINK Scheme Managing Director was in correspondence with Edward Davey MP, Minister for Consumer Affairs and Steve Webb MP, Minister State for Pensions, however the replies were not encouraging and it was agreed that there was no value in pursuing this issue at the present time.

⁴ This is after the period normally covered by this report but it was felt that this subject should be mentioned in the 2010/2011 report

Fraud

The Consumer Committee has received regular reports over the course of the year on levels of fraud and crime at UK cash machines.

As in previous years, the most serious type of fraud has been attempts to capture the details of cards used at the ATM, and then use these details to manufacture counterfeit cards with which to withdraw cash or make purchases using funds from the victim's bank account. While card issuers will refund cardholders who have fallen victim to this type of fraud, it can still cause considerable distress and inconvenience to the cardholder.

The fraudsters typically attempt to copy the details on the card's magnetic stripe by inserting a device over the card slot on the cash machine and "skimming" the magnetic stripe details. They obtain the PIN either by a hidden camera overlooking the key pad or even by standing near the cardholder as they input the number (so-called "shoulder surfing"). The skimming device and hidden camera are generally left in place for only a short time.

The introduction of chip readers across all ATMs in the LINK network has made it difficult to use stolen magnetic stripe and PIN details to make cash withdrawals at a UK cash machine for any card which also has a chip. There are, however, still some ATM cards that do not have embedded chips. The number of cards without a chip continues to fall, but some vulnerability remains until all cards are chipped. Furthermore, there are many overseas ATMs and points of sale which do not yet have chip readers, most notably in the USA. While the roll-out of chip and PIN is progressing across much of the world, criminals still try to use magnetic stripe and PIN details stolen in the UK to withdraw cash at overseas ATMs which are not chip-enabled. Never-the-less losses at overseas ATMs for UK issued cards are down 22% in the year to end of June.⁵

In addition to increasing the security of cards, LINK members that operate ATMs have invested heavily to make UK ATMs a harder target for fraudsters, who tend to operate across Europe. These investments appear to have helped reduce the incidence of skimming attacks and the twelve months to July 2011 saw a 41% reduction in the number of skimming attacks.

Another sign of the success of counter-measures against skimming of magnetic stripes has been evidence that criminals have instead been trying to capture the card itself, normally by tampering with the ATM so that the card becomes stuck inside the machine for the criminal to retrieve once the cardholder has moved away from the ATM. To be effective, this attack again requires the PIN to be observed, and often therefore uses the hidden camera that the criminal would have preferred to use as part of a skimming attack. While still causing distress and inconvenience to cardholders who fall victim to this type of card theft, this is a higher risk and lower yield fraud for the criminal because only a single card is captured with each visit to the ATM, and the customer, who is aware of the loss of the card, has a greater chance of reporting the incident before the card can be used. Where a card is trapped in an ATM, it is therefore important that the cardholder should immediately report it to their card issuer, and, if the ATM is in a bank branch, to the branch staff on site. Although this technique is harder to counter from a technical perspective the number of cash trapping incidents fell by 22% in the year to July 2011.

⁵ Source UK Payments Administration.

The shift from skimming to distraction theft shows how full success against the criminals will require not only the chipping of all cards and appropriate protection of ATMs, but the simple precaution by cardholders themselves of effectively shielding their PIN (for example with their free hand) while they enter their PIN with the other. If customers protect their PIN numbers from criminals, magnetic stripe details, and even cards themselves, are of very low value to would-be fraudsters, and the rewards of ATM fraud would be unlikely to justify the risks involved for the criminals.

Early 2011 saw a significant increase in the number of cash trapping incidents where devices were attached to ATMs preventing the customer from withdrawing their cash. Counter-measures were swiftly introduced and the number of these attacks has now fallen.

In June 2011 LINK sponsored a new exhibition at Central Saint Martins College of Art and Design which showcased innovative ways to reduce the number of victims of ATM crime. The challenge for BA (Hons) Product Design students was to come up with new and cost-effective solutions to tackle ATM crime and the students came up with a wide range of innovative and exciting ideas. The exhibition received very favourable coverage on the BBC website.

In addition LINK supported the police at a number of public “protect your PIN” demonstration events in central London, a format which proved very successful and is being rolled out to other cities.

LINK has continued to offer rewards of up to £25,000 in conjunction with the independent charity Crimestoppers for information relating to ATM fraud and crime. This campaign has been promoted through press releases, advertisements, local press reporting on incidents, and post-incident posters and cards for LINK members to distribute after an attack has taken place. This has led to a great deal of valuable information being collected and put to use for law enforcement, with a number of rewards paid out so far in 2011.

Information can be given completely anonymously and Crimestoppers can be contacted on 0800 555 111 or through their website www.crimestoppers-uk.org.

£5 notes

In 2010 the Bank of England asked the ten largest bank and building society ATM operators to ensure that £5 notes comprise a minimum of 1.2% of the value of their ATM dispense. It also encouraged the largest independent ATM operators to increase £5 dispense. The Bank received a very positive response.

The roll-outs of £5 dispense began in September 2010 and, by Easter 2011, £5 dispense had increased five-fold: meeting the Bank’s interim target. LINK remains in regular contact with the Bank, which continues to monitor monthly ATM dispense data and individual operators’ forecasts. The Bank expects that in 2012, £4 billion £5 notes will enter circulation, compared to just over £2 billion in 2010.

LINK’s online ATM locator was upgraded in August to add £5 notes as an ATM service feature thus enabling customers see whether a particular machine dispenses £5 notes or not. In addition there is now a search facility which once £5 note ATMs are recorded, will allow users to search for their nearest £5 note machine.

The LINK Scheme Executive is also continuing to monitor the rollout of £5 note ATMs through quarterly member returns. These show that to date, 3,954 ATMs were dispensing £5 notes, a huge improvement on the 670 £5 note machines in 2009.

It should be noted that this initiative only relates to Bank of England notes and therefore this does not affect ATMs which dispense Scottish or Northern Irish notes.

The media and public remain very interested in this subject and media coverage of individual machines which are dispensing £5 notes remains very positive.

Charity giving

While there have been occasional queries in the past on this subject, the question of charity giving at ATMs was really started by the government's Giving Green Paper which was published on 29 December 2010. The Green Paper stated "We want banks and ATM providers to let us know how we might make ATM giving happen in the UK and whether there are ways government can facilitate this." This generated significant media coverage, with the ATM giving aspect attracting most of the media's attention.

Following a government hosted working party and detailed discussions at the LINK Network Members Council Review Group, LINK's governing body, the Network Members Council agreed on 29 March that LINK should implement a member-wide charity giving service and that the changes necessary to support charitable donations at ATMs should be included in the next LINK technical release in 2012.

The LINK Scheme has now established a Charity Working Group to manage the implementation of this service and is working with LINK Members to go through processes and issues in detail.

As indicated in the government's subsequent White Paper, a solution which allows participating charities to claim a value equivalent to Gift Aid on these donations is very important and the LINK Executive is continuing to work with the government to get this issue resolved.

LINK Scheme Executive will continue to keep the Consumer Committee abreast of developments as this important project progresses.

Cash Retracts

In July 2010 the Consumer Committee discussed policy around cash retracts and the concern that customers who did not report a non-dispense of cash may not automatically get their funds returned. The December 2010 LINK Network Members Council meeting agreed a change to the LINK Scheme rules so that in most cases the ATM operator is required to reimburse the customer if a cash retract occurs (whether or not the customer raises it with their card issuer).

LINK's advice to the consumer however remains unchanged – they should always contact their card issuer if they have not retrieved their cash, and should not wait for the ATM operator to reimburse them.

Signage

The LINK Scheme Executive continues to undertake periodic spot checks of ATM signage and report the results to the Committee. This covers both general LINK rules on signage for example, clarity about the ownership of the machine and the use of the LINK logo, as well as specific information about charging at pay-to-use ATMs. These show continued high levels of compliance with the LINK rules.

Overall assessment by the Committee of the LINK Scheme's performance against consumer-interest objectives in 2010/2011

The Committee welcomes the £5 note programme, which has seen very good progress with an increasing number of £5 note ATMs. Consumers should start to see more and better quality £5 notes in their change, pockets and purses.

The Committee also welcomes the further progress being made towards spreading the free-to-use ATM network into the UK's most deprived areas, and the LINK Members' continuing commitment to this programme.

The news on ATM fraud has mostly been positive with a reduced number of attacks and losses however the Committee would like to continue to remind customers to protect their PIN at all times as this is by far the most effective anti-fraud measure available.

LINK's charity giving initiative is a very positive step and is welcomed by the Committee. It should help make charity giving part of consumers' weekly routine, as well as giving ATM users an easy and efficient way to respond to specific appeals such as disaster relief.

The Committee noted the general absence of consumer complaints about the functioning of the LINK Scheme – encouraging evidence that programmes to ensure the transparency of signage at cash machines and appropriate access to cash machines had been achieving their intended aims.

Finally, the Committee would like to record its thanks to Edwin Schooling Latter, the former LINK Managing Director, who moved onto another role in March 2011. Edwin contributed significantly to ensuring that the Committee was involved in all of the key consumer matters affecting LINK.

Annex 1: Complaints procedures

Non-dispense, partial dispense, card capture and unrecognised transactions

If a cardholder believes that they have not received the cash they requested from a cash machine despite their account being debited (non-dispense), that they have received only a part of the cash they requested despite being debited for the full amount (partial dispense), if their card is retained by a cash machine (card capture) or if there is a cash machine transaction on their bank statement that they do not recognise, they should contact their card issuer with whom they hold the card account. In most cases the card issuer will be a bank or building society. The card issuer will then raise the issue with the cash machine operator on the cardholder's behalf.

The customer should have the details of the transaction to hand, i.e. the date, the time, the amount debited, the location of the cash machine and the name of the cash machine operator (this will be displayed on the casing of the cash machine and will be a bank, building society or independent ATM operator) and any receipt provided.

To protect cardholder security, the cash machine operator and anyone else who might be thought to have access to the cash machine (for example the site operator or landlord) is not able to return directly to the cardholder any cards which have been retained by the machine.

Signage on cash machines

If a cardholder considers that signage on a LINK cash machine is missing, inaccurate, or misleading (for example in relation to whether a fee will be charged by the ATM operator for the transaction), or that it may not satisfy LINK's rules⁶ they should contact LINK or the cash machine operator. Some examples of how screen signage about charges should look may be found in Annex 2.

Cardholders may report signage issues directly to LINK

by e-mail at linkinfo@link.co.uk

via the LINK website at www.link.co.uk/Pages/ContactUs.aspx

or by telephone on 01423 356205

The name of the cash machine operator will be displayed on the machine. The LINK website also has details of all LINK Scheme members at:

www.link.co.uk/AboutLINK/Pages/Members.aspx

Suspicious devices attached to a cash machine

If anything looks unusual or suspicious about the cash machine indicating that it might have been tampered with, or if the cash machine appears to have any unexpected attachments to the card slot or key pad, the customer should not use it, but inform the cash machine operator, the site operator if present (e.g. bank branch staff if the machine is

⁶ LINK rules require pay-to-use cash machines to carry a notice that the machine will charge for the transaction, both on the casing of the machine and on the idle screen visible before the card is inserted. The on-screen notification must state the amount of the charge. The rules also require that the cash machine asks the customer to confirm acceptance of the specific charge before completing the transaction.

in a bank branch, or sales staff if the machine is in a retail premises), their card issuer or the police.

LINK Consumer Committee

The LINK Consumer Committee has been established to represent the interests of consumers and to advise LINK Scheme members on consumer issues that relate to the LINK ATM network and LINK Scheme rules.

The Committee is not responsible for individual cardholder complaints. These should be addressed to the relevant card issuer, cash machine operator or LINK Scheme as set out above. The Committee may, however, choose to raise with LINK and its members concerns evident from consumer complaints. Members of the public or any interested body may draw an issue to the attention of the Committee by contacting the LINK Scheme Executive:

by e-mail on linkinfo@link.co.uk

through the LINK website at: www.link.co.uk/Pages/ContactUs.aspx

or by telephone at 01423 356205.