

Sir Mark Boleat  
Chairman  
LINK Scheme  
2 Whitehall Quay  
Leeds  
LS1 4HG

24<sup>th</sup> November 2017

Dear Sir Mark,

## **LINK Consumer Council Response to the Interchange Consultation**

The LINK Consumer Council welcomes the opportunity to respond to LINK's interchange consultation.

We recognise that interchange is a critical commercial agreement that allows consumers in the UK to have broad and extensive free access to cash. We therefore hope that our input will support the development of a sustainable position for the benefit of consumers.

In developing our submission, all Consumer Council members have been involved, including the Network Members who are also members of the Council. However, due to the potential conflict of interest that Network Members might face, this response has been prepared and approved by the independent members of the Council. It has their unanimous support. The Network Members on the Council have also been provided with a copy of this letter and will make their organisations' views known to the Board of LINK through direct submissions.

The Council also notes that it is the responsibility of LINK to take commercial decisions including setting interchange and actual rates. We have therefore focused our response on meeting the needs of consumers for access to cash, and the consumer outcomes that we believe that LINK's Board needs to achieve. We have confidence in LINK, given its strong track record and commitment to meeting consumer needs. However, achieving good consumer outcomes is the priority that in the end must be delivered. **We therefore recommend that for the year after implementation the Council is provided with quarterly updates on consumer impact so that we can continue to support LINK and if necessary other stakeholders with advice.**

In terms of consumer outcomes, we agree with LINK that maintaining a broad and free network of ATMs as now is the prime objective of interchange. This needs to be in place for as long as consumers need it which is likely to be for many years to come. Consumers' use of cash for payments is falling and LINK will need to manage the network in a way that maintains a broad free network in spite of this.

The Council is particularly concerned that LINK ensures that all consumers continue to have good access and that financial inclusion is a priority. The LINK Financial Inclusion Programme

has been extremely effective in achieving this so far and we agree with the proposals in the consultation that this be strengthened and used to maintain high levels of inclusion. **We do not believe that there should be any constraint applied to this strengthened Financial Inclusion Programme and recommend that there is not a financial cap imposed on the support required to maintain financial inclusion. We also recommend that the qualification criteria are flexible and that the independent Board of LINK can take the action necessary to optimise financial inclusion.**

We note that any reduced interchange rate would lead to cost savings for issuers and we would expect LINK to recycle some of these savings through the Financial Inclusion Programme to maintain the geographic footprint of free machines and also to look at increasing it in areas where the current Programme has not been able to encourage a free ATM. This should include rural areas and deprived areas where the standard rate of interchange is insufficient to support a free ATM and where there is consumer need. However, the Council accepts that there will be fewer ATMs in some areas where there are currently multiple ATMs close to each other.

The Council notes that there have been a number of branch closures that have occurred over recent years and assumes that this may well continue. **We recommend that LINK uses the strengthened Financial Inclusion Programme to formalise support for ATM provision where a branch closure has led to a reduction in access to ATMs and consumer detriment.**

The Council is also strongly in favour of consumers having free access to balance enquiries at all ATMs as this supports consumers in effective financial management. **We recommend that changes to interchange should consider the impact on balance enquiry provision and should not reduce the availability of this important service.**

The Council is aware that various concerns have been raised on the impact of any change on the overall integrity of the system, including the ongoing commitment of some deployers to the UK marketplace. We also note that the rents paid to site operators may fall as a result of interchange reductions. LINK should work to ensure that there are not any rapid reductions in machine numbers which the Council believes is the intention of the consultation proposal for phasing changes over time. We assume that the Board will take a broad assessment of ongoing impact and make adjustments as necessary to manage the risk of consumer cash access being compromised.

Finally, consumer payment preferences appear to be evolving at pace. **We recommend that the LINK Board considers how to “future proof” the LINK payment system in order to maintain cash access for as long as required.** This may require plans and strategies that go beyond the immediate four-year interchange proposal and may well consider cash distribution mechanisms other than ATMs. In general, we expect LINK to be flexible and respond to changing consumer needs in a changing market. The Council is happy to support LINK in this endeavour.

The Council hopes that its views are of assistance to LINK in this important reform and looks forward to supporting the Scheme for many years to come in its important role of providing universal access to cash in the UK.

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# LINK Consumer Council

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We have copied in the PSR on our response so that they can note our offer of ongoing support which we assume will be welcomed by all. We wish to support LINK in achieving a solution in the competitive domain but we recognise that regulatory support may be needed if this is not possible. In addition, a copy of this response will be published on the Consumer section of the LINK web site so that the Council's response is available to all interested parties.

Yours sincerely,



**Tracey Graham**

**Independent Chairman, LINK Consumer Council**

cc: Hannah Nixon, Managing Director, Payment Systems Regulator  
LINK Consumer Council Members