

## Impact of Bank Closures

### Link Scheme

#### Call for views

LINK welcomes the opportunity to respond to the Economy, Jobs and Fair Work Committee's Call for Views on this subject. Whilst branch closures are not a matter for LINK, ATMs are a matter of great interest and therefore we would like to respond to Question 13 specifically.

#### Background to LINK

LINK is the UK's main cash machine network. Almost every cash machine in the UK is connected to LINK, and LINK is the way that almost all banks and building societies offer their customers access to cash across the whole of the UK. Almost all the UK's main debit and ATM card issuers are LINK members. Cash machine operators join LINK to offer cash to the 100 million plus LINK-enabled cards in circulation. LINK does not own and run ATMs or decide where they are sited. This is up to individual ATM operators. LINK sets the rules for how they operate and the commercial arrangements for how they are funded. Any direct charges to consumers are a competitive decision made by the ATM Operator, LINK does not participate in any setting of these charges.

The LINK network is a fundamental part of the UK's payments infrastructure and cash machines are by far the most popular channel for cash withdrawal in the UK, used by millions of consumers every week. The total value of LINK cash withdrawals can exceed £10 billion per month and at its busiest, LINK processes over 1 million transactions an hour.

LINK strongly supports free access to cash and the number of cash machines in the UK has grown from 36,000 in 2001 to almost 70,000, of which 6,000 are in Scotland. The number of free-to-use ATMs is at an all-time high of over 55,000, of which 5,150 are in Scotland. Nationally over 98% of all ATM cash withdrawals by cardholders are made free of charge.

Established in 1985 as a network for smaller banks and building societies LINK became the main national ATM scheme in 2000. It currently has 36 Members consisting of banks, building societies and independent ATM operators ("IADs"). LINK recently separated from VocaLink and is now a not-for-profit organisation with an independent Board and a public interest objective.

LINK welcomes the Committee's inquiry and looks forward to the opportunity in June to present details of how LINK intends to protect free access to cash for all the consumers who use it as we go forward.

#### **Question 13. What is the impact of local ATMs closing or imposing charges for transactions**

LINK is very aware of the detrimental effect that an ATM's closure can have on a local community if there are no alternatives for free cash access in the area. LINK is therefore introducing an enhanced Financial Inclusion Programme with greater available subsidies and more protection for more remote ATMs and those in deprived areas. The aim is to provide strong commercial incentives to ATM operators to maintain a free ATM in every community that currently has a free ATM, despite reducing usage of cash for payments by some consumers.

The LINK Board will protect the interchange rate, the fee paid by card issues to ATM providers for free ATMs, for all existing free ATMs one kilometre or more from another free ATM. There are 221 Scottish ATMs which be protected in this way.

LINK is also increasing the available Financial Inclusion Premium from the currently available 10p up to 30p which is used to incentivise the siting of free ATMs in specific deprived areas without ATM

access under the LINK Financial Inclusion Programme. The Board will use this increased Premium where necessary across the whole UK to deal with specific problems with financial inclusion caused by the loss of a free ATM. The one kilometre criterion will be maintained but LINK can exercise its discretion to assist vulnerable communities of less than one kilometre where practical challenges on the ground warrant action. This will specifically include where closure of a bank branch is leading to a financial inclusion problem. Additionally, this will include consideration of shorter distances where geographic obstacles such as roads and rivers exist, and problems with specific vulnerable communities where the one kilometre distance is too far. The LINK Consumer Council, which consists of independent consumer representatives, will review and refine the criteria as the strengthened Financial Inclusion Programme develops in use. There will be no financial cap on the Financial Inclusion Programme's cost. Whilst LINK does not decide where ATMs are sited, we believe that these commercial measures provide a strong incentive for operators to maintain free ATMs across the UK including Scotland despite declining cash usage for payments. LINK has separately taken steps to reduce the fees paid to ATM operators in busy commercial centers where there has been a recent unjustified proliferation of ATM numbers. This will not affect more remote communities, but we recognise that it will reduce the revenues of ATM operators.

**Conclusion**

LINK understands the negative impact that bank branch closures may have on communities, especially those in rural and deprived areas. Although branch closures are not a matter for LINK, ATMs are a matter of great interest and LINK is committed to providing consumers with good access to their cash for free over a wide geographical area through the strengthening of our Financial Inclusion Programme. We therefore welcome the Economy, Jobs and Fair Work Committee's inquiry to protect consumers and local businesses and look forward to giving further evidence in June.

**Link Scheme**