

Cynulliad Cenedlaethol Cymru / National Assembly for Wales
Pwyllgor yr Economi, Seilwaith a Sgiliau / Economy, Infrastructure and Skills Committee
Mynediad at Fancio / Access to Banking
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Ymateb gan / Evidence from LINK

LINK Evidence Submission on Access to Banking in Wales

I am writing on behalf of LINK to respond to the call for evidence from the Economy, Infrastructure and Skills Committee consultation into Access to Banking in Wales. LINK would like to address the specific question raised on how access to free ATMs affects local communities.

LINK believes that access to cash for free for consumers is a vital national service. Many consumers are expected to rely on cash for years to come to support their lives. This is especially true for more vulnerable consumer groups. The latest evidence is that over 47% of consumers need cash and for 17% a cashless society would present real challenges. 97% carry cash, 85% keep it at home. A number of vulnerable groups rely heavily on cash including those on low income, with mental health issues, and in more remote and rural communities.

However, cash use is declining rapidly. 10 years ago, cash accounted for 6 out of 10 consumer payments. Today it is 3 out of 10. In ten years' time, it will be 1 of 10.

This major change of consumer behaviour means that the supporting infrastructure including ATMs will have to adapt. It is not sustainable to sleepwalk into this level of change without planning for it. The lessons from other countries who are more advanced in their moves to digital is that the UK should plan for this change rather than drift into it and risk leaving some consumers behind. Whilst digital may help one day, it is not ready to help all today. For example, 10Mbps broadband coverage in Wales is 96% overall and hence digital banking is simply not available to all Welsh consumers.

LINK is a not for profit organisation run by an independent board with a public interest remit. LINK's objective is to manage the LINK ATM network to maintain the current broad geographical coverage of free access to cash in the UK for as long as consumers need free cash access. Recognising the challenge of declining cash usage, high fixed infrastructure costs of some £5 billion per annum, and sustained consumer need, LINK commissioned the independent Access to Cash Review to examine these issues and to recommend a way forward.



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The Review's findings were published in March this year and the full Report can be found here www.accesstocash.org.uk. The Report's recommendations are:

- Guarantee access to cash.
- Ensure cash remains widely accepted.
- Create a more efficient, effective and resilient wholesale cash infrastructure.
- Make digital payments an option for everyone.
- Ensure joined-up oversight and regulation of cash.

The government has welcomed these recommendations and has asked HM Treasury to oversee their implementation. The announcement from the Treasury can be found here:

<https://www.gov.uk/government/news/cash-here-to-stay-as-government-commits-to-protecting-access>.

LINK welcomes this and intends to fully support the work.

In the meantime, whilst waiting for this important development, LINK has been taking steps to stabilise the marketplace. This was necessary as the commercial arrangements in place via a mechanism known as interchange (the fee paid by banks to ATM operators each time that a free ATM is used) was leading to a proliferation of ATMs in urban centres and risking ATMs in rural and remote locations. For example, in the centre of Cardiff there are 18 ATMs within 100m of each other and 55 within 250m, yet over 183 rural centres in Wales have only one free ATM within a kilometre of the next.

To address this, LINK has reduced the interchange payable to urban ATMs by 10% (about 2p). In rural and remote areas, we have increased the rate paid from 23p to up to £3.00 on the machines that consumers use less often but are important points of access. We are satisfied that coverage in Wales of free access to cash has not reduced since LINK's reforms to interchange as a result of this work:

- Between year-end 2008 and year-end 2018 the number of free ATMs in the UK increased from 38,600 to 52,000. Wales saw an 71% growth in free ATMs from 1,400 to 2,400 over the same period.
- Since the changes, from January 2018 to-date, the figures have started to reduce as intended by 4,341 to 50,130 in the UK, and by 234 to 2,281 in Wales. These reductions have been in over-provisioned urban areas.
- We note that free ATM numbers in Wales are now at the same level as they were at in 2015.

Understandably, not all of the private commercial organisations providing ATMs welcome these changes as it leads to a reduction in revenues. However, the market overall has been supportive, and the provision of free ATMs across the UK including in Wales remains satisfactory. In particular,



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there is strong provision in banks, large supermarkets, convenience stores, Post Offices, and travel hubs accounting for some 679 (30%), 387 (17%), 683 (30%), 130 (6%) and 97 (4%) of Wales's 2,281 free ATMs.

LINK also needs to continue to protect the 183 (8%) rural and remote Welsh ATMs with no other machine within a kilometre.

LINK is now looking forward to working with regulators to maintain a sustainable position going forward. A key weakness in the current arrangements is that no organisation is responsible for ensuring cash access in a particular community, and the location of ATMs is down to individual commercial deployers and retailers. LINK thinks that this is an area that needs addressing with regulatory support.

LINK has recently commissioned a report on access to cash in rural communities by Professor Russel Griggs OBE. Professor Griggs usefully notes this need to work across a range of organisations with a focus on convenience stores and Post Offices to support rural communities and states:

"In essence, the debate should not just be about cash or ATMs, but about how we can give everyone the access they need to allow them to make personal choices that are right for them. My recommendations cover a wide variety of issues, but all are focused around making access to cash easier for everyone that needs it, but also trying to help the process that allows us to look at issues like this in a different and better way. I believe that the rural convenience store, with or without an embedded Post Office, is the critical piece of infrastructure and that adopting these recommendations will help consumers adapt and change the way they manage their finances and become part of the digital financial community. However, consumer choice is key and in some areas not enough being done to protect this."

- **Report on Access to Cash in Rural Communities, Professor Russel Griggs OBE**

The report is available at LINK's website at www.link.co.uk/media/1474/access-to-cash-in-rural-communities-march-2019.pdf.

In line with the findings of the Access to Cash Review, LINK believes that stronger overall coordination and closer cooperation between entities such as LINK and the Post Office is important. LINK also believes that innovation to allow the provision of cash for free at retailer's tills, in a manner similar to that used by the Post Office, is a useful addition to the cash infrastructure and we are working with a number of organisations to develop this. Ensuring that all locations, including rural and remote ones, retain free access to cash will depend on determined coordination between these various channels, supported by regulators and government. It is no longer acceptable to leave this to market forces, and commercial organisations which drive a focus on profit rather than consumer need.