

## Second Annual Review of Specific Direction 12: Call for Views

### LINK's response to the Payment Systems Regulator's call for views on the Second Review of Specific Direction 12 in April 2024

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#### Executive Summary

1. Throughout the period that Specific Direction 8 (SD8) and Specific Direction 12 (SD12) have been in force, LINK's commitments have worked well for consumers and have protected free access to cash including throughout the coronavirus crisis. The PSR's general support and engagement over the period has been helpful in achieving this.
2. While SD12 does not directly affect LINK's commitments, it does provide a focus for the PSR's engagement with LINK. It also provides some clarity for LINK's membership on the PSR's priorities. For example, LINK's membership can find it easier to meet funding calls if they are aligned to a regulatory requirement contained in a Specific Direction.
3. The Financial Services and Markets Act 2023 has confirmed that the FCA will play the lead role in access to cash regulation. LINK understands that the FCA will shortly set out its approach to ensuring reasonable provision of cash deposit and withdrawal services for personal and business current accounts across the UK. As this overlaps with the PSR's SD12, LINK believes that now is an appropriate point to retire the Specific Direction.

#### About LINK

4. LINK Scheme Holdings Ltd (LINK) manages the UK's main cash dispenser (ATM) network and is a central part of the UK's cash infrastructure.
5. LINK's network connects the vast majority of ATMs (both free and charging) in the country, and allows customers of banks and building societies (card issuers) who are LINK Members to make cash withdrawals and balance enquiries with their payment card at almost every ATM. All major card issuers and ATM operators currently choose to become Members of LINK. This helps ensure that consumers in the UK have the choice of accessing cash should they wish to.
6. Cash continues to be in long-term decline in the UK and LINK ATM transactions are falling by about 8% per year. LINK is managing the network through this decline and remains committed to protecting free access to cash for as long as it is needed.
7. The LINK network is based on a highly resilient real-time high-volume infrastructure, currently supplied by Vocalink. LINK is the network operator, and the systemic risk manager.

8. LINK is regulated by the PSR and the Bank of England and values a collaborative and strategic relationship with both. LINK is also expecting to be regulated by the FCA later in 2024.

### **LINK's General Feedback to the PSR on Specific Direction 12**

9. Since the introduction of SD8 (then followed by SD12), LINK has reported to the PSR formally on a monthly basis on the various requirements.
10. At each review of SD8 and SD12, the PSR has concluded that LINK's delivery of its commitments to preserve access to cash are effective.
11. While LINK has set its own commitments including those relating to reporting on a voluntary basis, the PSR's general support and engagement over the period has been helpful in achieving this.
12. SD12 also provides some clarity for LINK's membership on the PSR's priorities. For example, LINK's membership can find it easier to meet funding calls if they are aligned to a regulatory requirement contained in a Specific Direction.

### **Question 1: How effective SD12 has been in delivering its purpose – i.e. requiring LINK to maintain a broad geographic spread of FTU ATMs and meet service-user needs.**

13. LINK's commitments have worked effectively for consumers by maintaining the broad geographic spread of the free-to-use cash access network and LINK has met all the requirements contained within SD12. However, given that LINK sets its commitments itself on a voluntary basis and without direction from the PSR, SD12 has itself had no direct impact on LINK's commitments or on protecting the broad geographic spread of free-to-use ATMs.
14. LINK publishes a monthly "Footprint Report" that tracks the Protected ATM network and, at the time of writing, there are 19 locations where LINK is actively seeking a replacement for a closed Protected ATM, out of a network of 3,482 Protected locations. Some 124 closed Protected ATM locations have been resolved, either through the free market or through LINK action (either Direct Commissioning or the offer of Premiums). It is reasonable to assume that many of those communities where LINK's activity has secured a replacement ATM would not have free cash access today were it not for LINK's work.
15. LINK remains committed to the geographic spread of the free access to cash network and will continue to implement Policies to protect it for as long as it is needed.

### **Question 2: How well the requirements under SD12 have worked in practice in relation to maintaining and replacing protected ATMs, as defined in paragraph 3.7 of SD12.**

16. The most important consideration is that, over the period that SD8 and SD12 have been in force, LINK's commitments have worked well for consumers and have protected free access to cash, including throughout the coronavirus crisis. The PSR's general support and engagement has been helpful in achieving this. In 2018, when SD8 was

introduced, 89.5% of people lived within 1km of free cash access. Today, although cash usage and the UK's cash infrastructure has changed significantly, 89.6% of people live within 1km of free cash access.

17. However, as noted above, given that LINK sets its commitments on a voluntary basis and without regulatory direction, the requirements under SD12 have no direct impact on LINK's work to maintain and replace Protected ATMs.

**Question 3: How successful LINK has been in addressing the areas for improvement identified in the first annual review of SD12.**

18. LINK considers transparency to be important and publishes a "Footprint Report" every month that meets the requirements of SD12. However, LINK publishes this material on a voluntary basis and would do so regardless of whether SD12 existed or not.
19. LINK considers it important that consumers and stakeholders can locate and access this information easily and, to this end, has begun a project to redesign and improve the LINK website. This new website will be live over the Summer of 2024.
20. Given there are very limited requests for further information, LINK concludes that sufficient transparency is being provided. LINK also notes that, due to the competitive nature of Direct Commissioning, there is some data such as that relating to bids that is commercially sensitive and cannot be made public.
21. LINK has continued to take a balanced approach to assessing the economic activity within the "defined radius". This includes decisions taken to not replace lost Protected ATMs where there is no detriment to the local community, and the approach taken to ensure that geographical barriers such as rivers, railways and main roads are taken into account when assessing cash access.
22. LINK continues to keep its processes under frequent review to ensure that the geographic spread of free cash access is being maintained where it is needed.

**Question 4: The role of SD12 in the regulatory landscape introduced by FSMA 2023.**

23. LINK's voluntary commitments have ensured continued satisfactory free access to cash. LINK will continue to deliver on the commitments it makes for as long as consumers need them.
24. The Financial Services and Markets Act 2023 has confirmed that the FCA will play the lead role in access to cash regulation. LINK understands that the FCA will shortly set out its approach to ensuring reasonable provision of cash deposit and withdrawal services for personal and business current accounts across the UK. LINK's view is that the different requirements of the FCA and PSR and the different units of measurement in use (miles by the FCA and kilometres by the PSR) could cause confusion among stakeholders and consumers. Furthermore, the complexity and regulatory burden that results from separate regulators working in the same area is not sensible. It is therefore LINK's view that SD12 can now be retired.

**-ENDS-**