



LINK Consumer Council

Annual Report 2012-2013



Contents

- 3 Introducing the Council and its members, and setting out its objectives
- 4 Key facts and figures about the importance of cash and the trends in cash usage
- 5 An overview of progress and successes in our Financial Inclusion Programme
- 6 A focus on two customer segments where access to cash needs improving
- 7 A round-up of other Council news and successes, including the development of Consumer Principles and dealing with regulatory changes

Editor

Mary Buffee
MBuffee@link.co.uk
07903 498544

Designed on behalf of LINK by:

Artful Dog Publishing
www.artfuldogpublishing.com

Images: cozyta, Pressmaster, Stephen Finn, 2013, Shutterstock



Printed on
FSC™-certified paper

This report describes the work of the LINK Consumer Council in the 12 months from November 2012 and outlines the Council'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 LINK Consumer Council.

Welcome

Innovation, challenge and focus in 2013



This has been a busy year for the Consumer Council, with many challenges facing LINK. The Council has helped shape solutions for UK consumers as they fight through one of the toughest economic periods in recent times. There have been a number of changes for the Consumer Council members as it continues to play a critical role in ensuring consumers' requirements are at the heart of the Scheme.

Transaction volumes continue to increase – up 1.9% on the previous year – with 278 million transactions dispensing £11.4 billion in cash in August, the busiest month ever. ATM numbers continue to grow, with over 67,000 ATMs now available to consumers, with free-to-use ATMs at an all-time high. This is strong evidence of consumers' continuing demand for easy and safe access to cash and the vital role of the LINK Scheme in providing this.

One of LINK's key objectives is to provide universal access to cash. Since its inception, the Council has played a significant role in framing, and then seeing executed, the policy of extending free access to deprived areas. This has not only helped the Financial Inclusion Programme continue to expand, but it has introduced a heightened focus on the inclusion of certain segments of consumers, notably those on low income and the older old. Supported by the Council, over 80% of the identified problem areas have now been resolved, ensuring that customers in 1,425 more locations have access to a free ATM.

LINK is also supporting the Payment Council's Mobile Payments Scheme, through which customers can make payments with their mobile phones from spring 2014. LINK provides all organisations, whether they are major banks, small institutions or challenger banks, with the same access to its network. Our support for Mobile Payments will mean that this open, transparent and fair approach will lie at the heart of the new consumer payments service.

The Consumer Council has also strengthened the Scheme in dealing with a number of other challenges. It is helping the industry defend universal access to cash via LINK for all consumers, including Basic Bank Account holders, ensuring the Scheme Executive works closely with our Scheme Members and regulators to resolve the current restrictions faced by consumers.

The major regulatory changes also present great opportunities, as well as risks. With invaluable input from the Council, LINK is supporting government in designing a new payments regulator that will drive innovation through increased competition for the benefit of consumers and the UK economy.

I would like to thank all members of the Council, especially our external members. I would particularly like to thank Baroness Anne Gibson, who retired this year after her superb contribution to the Council since its inception in 2006. I also welcome Teresa Pearce MP and Toynbee Hall to the Council to support us with some of our future challenges.

2014 promises to be another exciting year with potential radical change. The Consumer Council will continue to fulfil its vital role of working with the Scheme to represent and protect the interests of consumers.

Dr Ken Andrew
Chairman



1,425

Increase in locations
with access to a
free-to-use ATM

Introducing our Council members

The LINK Consumer Council is chaired by an Independent Chair, **Dr Ken Andrew**, and comprises a number of independent members and LINK Members who represent the Scheme.

Dr Ken Andrew has had responsibility for businesses, mostly in the consumer financial services area, in 28 countries. 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.

Independent members

Lady (Margaret) Bloom CBE – An economist and Visiting Professor at King's College London. Margaret has been a senior consultant for Freshfields Bruckhaus Deringer since her retirement in 2003 from the Office of Fair Trading, where she was Director of Competition Enforcement. Margaret is also Deputy Chair of the Money Advice Trust and a Director of the Lending Standards Board.

Baroness (Anne) Gibson of Market Rasen OBE – A Labour Member of the House of Lords, appointed as a life peer in 2000. Baroness Gibson has extensive

experience of issues surrounding equality, health and safety and industrial relations. Baroness Gibson retired from the LINK Consumer Council earlier this year.

Nick Waugh – Representing the Citizens Advice Bureau.

Julie McCurley – Representing the Consumer Council for Northern Ireland.

We are also pleased to confirm the appointment of two new independent members to the Council:



Teresa Pearce MP – The MP for Erith and Thamesmead constituency, Teresa is also a member of the

Treasury Select Committee and the Work and Pensions Select Committee.

Toynbee Hall – A community organisation that pioneers ways to reduce poverty and disadvantage in the East End of London. It gives a voice to some of the country's most deprived communities, providing access to free advice and support services and working with them to tackle social injustice.



Toynbee Hall

LINK Members

In addition to independent members, the council also comprises two representatives from card-issuing financial institutions and two representatives from LINK Scheme Members that deploy cash machines but are not card issuers.

Representation is refreshed periodically, and so there have been a number of changes in the past 12 months, with **Mike Bullough** of Lloyds Banking Group, **Stewart Gow** of Tesco and **Nigel Constable** of Note Machine elected to the Council. **Gary Sennett** of Barclays, **Sara Pye** of Royal Bank of Scotland Group and **Ron Delnevo** of Bank Machine have resigned. **Seamus Smith** of PayPoint remains on the committee.

Objectives of the LINK Consumer Council

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

The independent members of the Council 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 Scheme policies and practices, by assessing the effectiveness with which the Network Members Council has fulfilled its objectives to:

- provide universal acceptance of cards in cash machines in the UK
- listen to and take account of the interests of cardholders

- ensure that customers have secure and reliable access to their cash at cash machines
- provide transparency on direct charging at cash machines and ensure clarity of branding so that customers know who is responsible for each cash machine that they use.

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

More ATMs provided to meet higher consumer demand for cash

With cash still the most popular method of payment, the increase in ATM figures in 2013 – especially the record number of free-to-use machines – has been vital.

Access to cash remains vital for consumers and the UK economy, with cash still the most common payment method – accounting for 54% of all payments in 2012.

In the same year, over 7.2 million consumers relied solely on cash for all their regular payments. This last figure is particularly striking as it is up from 6.5 million in 2011 and reflects an increased preference for cash in straightened economic times.

Certainly, those consumers who rely totally on cash for their payments are concentrated among those who are disabled, are job seekers or have less than £10,000 annual household income.

Cash machines are by far the most common method by which consumers access their cash. They currently account for 72% of all cash acquisition, a proportion that is expected to grow because less wages and benefits are likely to be paid in cash in future.

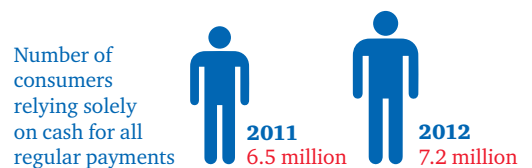
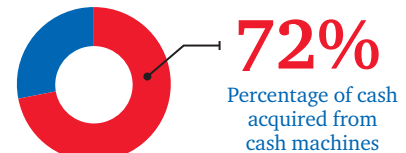
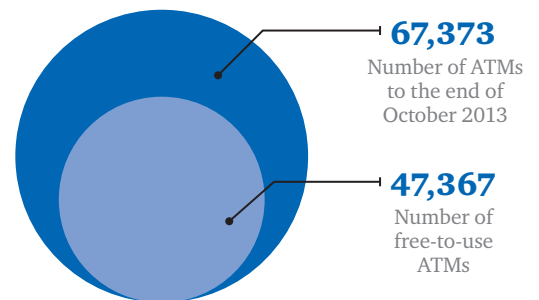
In 2012, 44 million people used cash machines – on average, consumers withdrew £360 a month through 5.5 cash withdrawals. To meet this demand, the number of cash machines continues to grow, with 66,134 ATMs

at the end of 2012, and continued growth in 2013 giving a record total of 67,373 ATMs by the end of October. Of these, 47,367 are free-to-use machines – also a record. Meanwhile, the number of pay-to-use machines continues to fall – down to 20,006 from a high of 27,000 in January 2008. This reflects the increased movement of independent ATM operators into the free-to-use market, in some cases taking over the networks previously operated by banks.

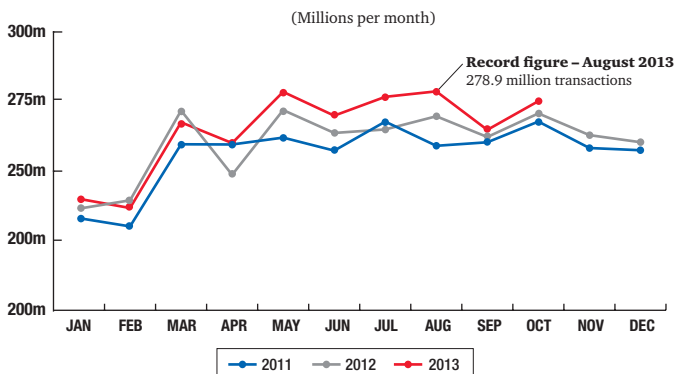
After a low point in 2010, the total number of cash withdrawals, including customers using their own bank or building society's ATMs, has been slowly rising – up another 1.4% in 2012. This is despite the rise in other payment methods, such as contactless payments, online shopping and the increased use of debit cards.

LINK's share of total ATM transactions continues to grow as younger users have a higher propensity for using cash machines that are not run by their own bank or building society and hence rely on LINK.

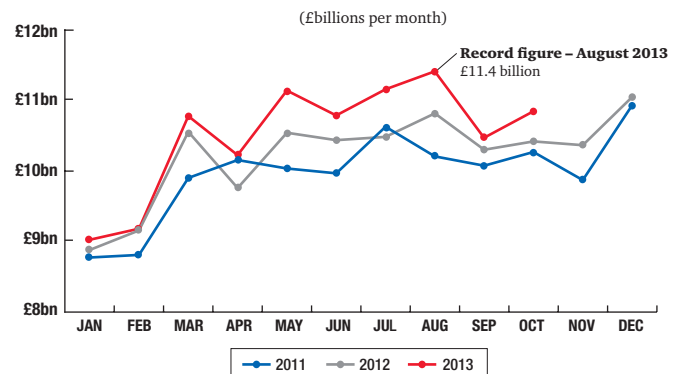
The number of remote sites run by independent deployers continues to grow when compared to ATMs run by banks and building societies.



Link network transaction volumes



Link network value of transactions



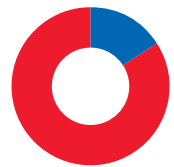


Jennifer McCann
MLA (left) and
Antoinette McKeown,
Chief Executive of the
Consumer Council



54%

Percentage of all
payments made by
cash in 2012



84%

Percentage of 1,700
deprived areas that
have been given
access to free-to-use
ATMs since 2006

Deprived areas receive boost in access-to-cash programme

More than seven million consumers rely solely on cash for all their regular payments, and 1,700 of the most deprived areas in the UK have been targeted by LINK to improve free access to cash.

With the support and endorsement of the Consumer Council, LINK's Financial Inclusion Programme has now resolved issues around access to free cash in 84% of targeted deprived areas over recent years.

The Council has been an advocate of LINK's commitment to defending and improving access to cash and has provided valuable input to the Financial Inclusion Programme since it started in 2006.

As part of the programme, which is funded by LINK's Members with an investment of approximately £1 million a year, LINK and its Members undertake to install new

free-to-use ATMs in these deprived areas – and so far 1,425 have free access to cash.

Success in Northern Ireland

A good example of how the Council, LINK, Consumer Groups and Members have worked successfully together for consumers is the recent success in West Belfast. A new free-to-use ATM from PayPoint means consumers from five nearby areas are now able to access their cash free of charge for the first time.

Welcoming this move, Consumer Council Northern Ireland Chief Executive Antoinette McKeown said: "This is part of an ongoing campaign to ensure everyone has access to a free-to-use cash machine. Since the programme began in 2006, we have seen 55 cash machines installed in areas of lower income, and of the identified 71 deprived areas, only five

without cash machines now remain."

LINK continues to work with its Members as well as consumers, local politicians and media to identify and target areas that do not have enough free-to-use cash machines.

Earlier this year, LINK launched *Suggest A Site* – a simple way for anyone to suggest new locations online. The facility received a very positive response from the financial press and, to date, over 150 sites have been nominated.

» SUGGEST A SITE

Encourage your colleagues to suggest a location in need of a free-to-use ATM by visiting link.co.uk (and clicking on **Cardholders** and then **Suggest a site**) or calling **0845 602 3824**.

Inclusion work to focus on key customer segments

Concerns from older consumers and those living in or near social housing estates are priority areas for LINK and the Consumer Council in 2014.

Research carried out by Policis has shown that, while overall access to cash was judged to be very strong with demonstrable improvement over recent years, access for certain segments of customers is still in need of improvement.

The Council endorsed the LINK Scheme to research ways that these issues could be overcome for consumers and so the following work has been carried out in 2013.



Older Old

Among this cohort of older consumers, a number of issues were raised around usability. These included accessing cash machines; memorising PINs; manual dexterity when using the buttons on the machine; and the way the screens are designed or flow.

In conjunction with Age UK Leeds and its local partners, LINK has been carrying out focus groups to understand the issues in more detail and identify potential solutions to address these.

The Council will be key in developing the next steps to address the needs of consumers in these areas.

Social Housing Estates

The key issues raised here include no free machine or a prohibitive cost to travel to a free ATM; security fears when using the ATM; and perceived lack of low denomination notes.

LINK partnered with community organisation Toynbee Hall to understand these issues in more detail, using Birmingham as a case study, carrying out research with groups such as the

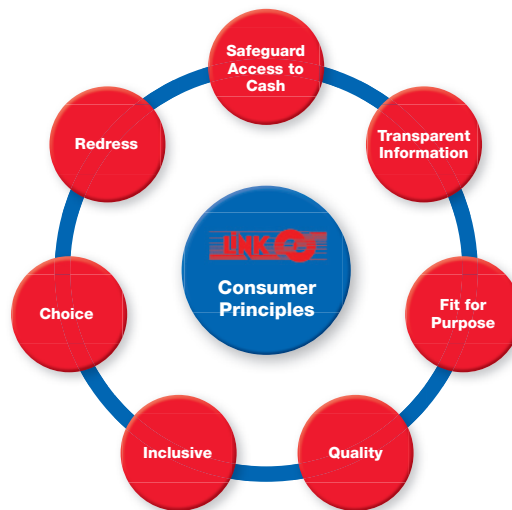
Citizens Advice Bureau and local charities.

The Consumer Council has approved the recommendations regarding improving access to cash, personal security and availability of low denomination notes. As a result, LINK is starting to work with the most deprived constituencies to address these issues for consumers, using local knowledge from MPs, consumer groups and charities.

Throughout 2014, LINK and the Consumer Council will continue to address these points and identify any further customer segments that may face difficulties in accessing cash.

New Consumer Principles to support decision-making

The Council has supported LINK in the development of a set of Consumer Principles that will be a valuable framework for the Scheme in future decision-making on consumer matters.



Innovative ideas are developing ATM network

LINK Members are developing the network to support new transactions, and 2013 saw the launch of charity-giving at ATMs (pictured), mobile wallet top-ups, consumer favourites and increased audio assistance.

Council's conclusions for 2013-14

The LINK Consumer Council recognises that there are increasing risks to the strong universal access-to-cash position that consumers have in the UK, and supports the LINK Scheme in managing these risks.

The payments industry is the subject of a number of important initiatives that are currently under way, including the introduction of a payments regulator. The LINK Consumer Council is actively advising the Scheme in its engagement with this work and will continue to highlight specific impacts on consumers as a result.

The news on ATM fraud has been mostly positive, with a reduced number of attacks and losses, although the increase in gas attacks is a worrying trend. The Council 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.

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

The risk to Basic Bank Account consumers remains and the Council would like to see consumers' interests protected in this area.

Proactive work with local MPs in the most deprived constituencies will be important to ensure we continue to address specific issues for consumers in need. The Consumer Council also welcomes the broadening of the inclusion work to look at help for specific customer segments in the scope of its future work.

NEWS IN BRIEF

Supporting the design of a new payments regulator

LINK welcomes the government's plans to introduce a new payments regulator with the objective of driving up competition and innovation for the benefit of consumers and the UK economy. Supported by the Consumer Council, we are working closely with our Members to help the Financial Conduct Authority design the new regulator and reap the significant potential opportunities while avoiding the risks.

Continuing our focus on Basic Bank Account standards

The Consumer Council has endorsed the active involvement of the LINK Scheme Executive in industry discussions on Basic Bank Account standards to ensure an open and informed debate. Some consumers continue to face restrictions on access to cash through their inability to access the LINK Scheme, and work will continue into 2014 on this issue.

Gas attacks present a serious challenge for ATM Fraud

ATM fraud and crime continue to present challenges to the industry. The total number of physical incidents and losses continues to fall, but 2013 has seen a number of explosive gas attacks that had the potential for serious injury and even loss of life. LINK and its Members continue to work closely with the police to address these issues. Customers are urged to protect their PIN at all times and always report any suspicious behaviour of unexpected transactions to the police or their bank or building society as soon as possible.



LINK

4 Cardale Park
Harrogate
North Yorkshire
HG3 1RY

www.link.co.uk