

LINK CONSUMER COUNCIL

2011/2012 Report

This report describes the work of the LINK Consumer Council during the period from August 2011 to October 2012, and 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.

Foreword from the Council Chairman

This has been a year of change for LINK with the innovative development of new products and services as well as the ongoing pressures on Members to reduce operational costs, including those of the ATM channel.

Highlights of the year include, transaction volumes running at all time high levels with a new daily peak of 12.8 million transactions on 1 July and March 2012 being the busiest month ever with 267 million transactions processed. This is strong evidence of consumers' continuing need for easy and safe access to cash and the vital role of the LINK Scheme in providing this.

The number of free-to-use ATMs continues to grow to record levels (45,033) underlining the effectiveness of the industry in providing free access to cash across the whole of the UK. LINK also successfully supported access to cash during the Olympics and Paralympics and participated in industry wide cash and ATM crime reduction initiatives.

Since the last report there has been a significant increase in innovation activity including:

- The launch of Charity Giving at ATMs.
- A new peak of 854 financial inclusion ATMs which are installed in deprived locations, to ensure that the consumers who live and work there have access to a free-to-use ATM.
- The number of ATMs dispensing five pound notes (5,435) continues to grow and nearly £200 million is withdrawn in five pound notes from LINK ATMs per month.
- A pipeline for innovation transactions is being developed by LINK Members.

The Consumer Council also recognises that there are increasing risks to the strong position on universal access to cash that consumers currently enjoy in the UK. These are highlighted by events such as changes by some providers of Basic Bank Accounts to ATM access. The risks are the subject of a number of important initiatives that are currently underway including a consultation by HM Treasury on the future of payments regulation. The LINK Consumer Council is actively engaged in supporting the Scheme in this work and we do not intend to cover these important matters in this report given that they are still in progress. However, the Consumer Council will report next year as the work concludes on its impact on consumer access to cash via the national ATM network.

Dr. Ken Andrew
October 2012

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THE ESTABLISHING AND PURPOSE OF THE COUNCIL

The Consumer Council was established by the LINK Scheme in April 2006 to represent the interests of consumers and to advise the Scheme on consumer issues that relate to the LINK ATM Network.

The Council is independent of the LINK Scheme's other governing bodies, although two representatives from card-issuing financial institutions and two from cash machine deployers that do not issue cards have places on the Council alongside the external independent members.

Members of the Council

The Chairman

- **Doctor Ken Andrew** has had responsibility for businesses in over twenty-eight countries around the world, most of these in the consumer financial services area. 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".

Members

The Council is comprised of independent members who represent consumer interests, two representatives from card-issuing financial institutions and two representatives from LINK Scheme Members that deploy cash machines but are not card issuers.

The following served as members of the Council between July 2011 and August 2012.

- **Lady Bloom CBE**, an economist and Visiting Professor in the School of Law, King's College London. Margaret works as a senior consultant for Freshfields Bruckhaus Deringer following her retirement from the OFT in 2003 where she was Director of Competition Enforcement. Margaret is also Deputy Chair of the Money Advice Trust.
- **Baroness (Anne) Gibson OBE of Market Rasen**, a Labour Member of the House of Lords, appointed as a life peer in 2000. Baroness Gibson has extensive experience in issues surrounding equality, health and safety and industrial relations.
- **Cathy Finnegan**, Citizens Advice.
- **Oliver Morgans**, Consumer Focus.
- **Caroline Mooney**, Consumer Council for Northern Ireland.
- **Ron Delnevo**, Bank Machine.
- **Gary Sennett**, Barclays Bank.

- **Tim Wilder**, InfoCash.
- **Seamus Smith**, PayPoint.
- **Sara Pye**, Royal Bank of Scotland.

Objectives of the Council

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

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.¹ They are asked to assess the effectiveness with which the Network Members Council has fulfilled its objectives to:

- listen to and take account of the interests of cardholders
- provide universal acceptance of cards in cash machines in the UK (and potentially Europe)
- provide transparency on direct charging at cash machines
- ensure clarity of branding so that customers know who is responsible for each cash machine that they use and
- ensure that customers have secure, reliable, access to their cash at cash machines.

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

¹ The Council is not responsible for individual cardholder complaints, which should be addressed to the relevant member of the LINK Scheme i.e. the bank or building society which has issued the card used in the cash machine, or, as appropriate, the LINK Member which operates the cash machine. The Council may, however, choose to investigate concerns evident from consumer complaints. See Annex 1 for a description of how and to where complaints should be made.

REPORT ON THE WORK OF THE COUNCIL AND LINK SCHEME IN 2011/2012

Overall the number of free-to-use cash machines continues to grow with the number increasing by 2,771 in the past year to a record 45,033, (68% of all ATMs). In the same period there was a reduction in the number of pay-to-use ATMs by 978 to 20,851 making the overall size of the UK LINK network 65,884 ATMs, a 2.5% rise.

Risks to the UK's LINK ATM network

The Consumer Council recognises that there are increasing risks to the strong position on universal access to cash that consumers have in the UK. These are highlighted by events such as changes by some providers of Basic Bank Accounts to ATM access. The payments industry in the UK is undergoing a period of high change, driven in part by the response to the financial crisis. All this has the potential to impact on the provision of cash. The situation is the subject of a number of important initiatives that are currently underway including a consultation by HM Treasury on the future of overall payments regulation. ATMs and access to cash are an important payment mechanism so will be within the scope of this review of regulation. The LINK Consumer Council is actively advising the Scheme in its engagement with this work and we do not intend to cover these important matters in this report given that they are still in progress. However, the Consumer Council will report next year as the work concludes on its impact on consumer access to cash via the national ATM network.

Changes to Basic Bank Account ATM access

In August 2011 Royal Bank of Scotland Group announced that it was withdrawing LINK ATM access from its Royal Bank of Scotland and Nat West² Basic Bank Account customers, but at the same time offering those customers more choice and wider access to the banking services that it offers, as part of a repositioning exercise for all its current account products.³ Concern about the potential impact of this action upon the consumer was raised by a number of LINK Network Members, the Treasury Select Committee and Consumer Groups. This led to LINK commissioning research on access to cash from Citizens Advice and their report was published in early summer 2012. It can be downloaded from the LINK website at:

http://www.link.co.uk/media/newsreleases/pages/CAB_report.aspx.

Financial inclusion and access to free-of-charge cash withdrawals

Background

In December 2006, an ATM Working Group chaired by John McFall MP, then Chairman of Parliament's Treasury Select Committee, agreed a programme to install free-to-use cash machines across as many as possible of the UK's more deprived areas. The ATM Working Group brought together government, consumer groups, major ATM deployers and card issuers, the Post Office and the LINK Scheme. One of the objectives of the Group was to identify whether significant gaps existed in LINK's free-to-use ATM network, particularly in lower-income areas, and whether there were any trends in the availability of free-to-use cash machines. There was

² Ulster Bank customers are unaffected and their Basic Bank Accounts continue to offer LINK access.

³ Basic Bank Accounts provided by Lloyds Bank and First Trust have never offered access to the LINK network while all others have.

particular concern that free-to-use machines might be becoming concentrated in busier and more prosperous town centres but disappearing from lower-footfall and more deprived locations.

Comparison of LINK data on cash machine distribution with government-produced data on deprivation showed there was a significant number of relatively deprived areas without local free-to-use ATMs. The ATM Working Group concluded that an estimated 600 new free-to-use cash machines were needed to address comprehensively cash access issues in these target areas. The Working Group recognised, however, that it would not be possible to install an ATM in every deprived area of the UK on account of lack of suitable premises to house an ATM.

In December 2006, the LINK Scheme responded to this matter by making an innovative change to its “interchange” rules through which card issuing banks offer a financial incentive to cash machine operators to deploy free-to-use cash machines in target financial inclusion areas. This “financial inclusion premium”, an arrangement unique in the world, is intended to provide a lasting incentive for cash machine operators to deploy and maintain free-to-use cash machines in target areas where they are most needed.

At the same time, a number of LINK cash machine operators – both banks, and independent ATM operators – undertook to deploy several hundred new free-to-use machines in these target areas.

Both steps represented a major commitment by LINK ATM operators and LINK card issuers to support financial inclusion in lower-income communities by expanding the free-to-use ATM network.

Progress to-date

The target of deploying 600 new free-to-use ATMs in deprived areas was reached in the first half of 2009. Lord McFall said at the time, *“Hundreds of low-income communities now have instant access to their money, without having to pay for it. I am delighted that the cash machines target has been surpassed. I would like to congratulate LINK as well as all the participating banks and cash machine operators.”* LINK Scheme Members have continued efforts to find suitable ATM sites in the target areas where there is still no free-to-use cash machine. By August 2012, a total of 854 new free-to-use ATMs had been installed in the target areas and increase of 39 since the last report. Financial inclusion ATMs will receive an estimated industry subsidy through the financial inclusion premium of £878,000 in 2012, up from £852,000 in 2011. The new cash machines already installed have brought local free-of-charge access to cash through an ATM to around 2m people previously without a free-to-use cash machine in their area.

Over 95% of all key areas of deprivation now have a free-to-use ATM within the area or within 1 kilometre of the area’s centre.

LINK has continued to work with areas which have identified access to cash issues. Liverpool is one such area which was subject to a detailed survey in early 2012. This identified a number of areas which still had access to cash problems and LINK is working with its Members to see how these can be addressed. It is apparent that the current financial inclusion mechanism, while effective in most locations, may require some refinement to reach some further areas of need. The Consumer Council is keen to encourage and support the LINK Scheme in its work to maintain and develop the effectiveness of the financial inclusion mechanism.

In its 2009/2010 report, the Council noted that a few areas, notably Northern Ireland, continued to lag behind in terms of cash machine deployment and should be the focus of attention. LINK has continued to work closely with the Consumer Council for Northern Ireland to investigate the scope for deploying more free-to-use ATMs in target areas in Northern Ireland. This work has meant that that Northern Ireland no longer lags behind other regions and indeed now has among the highest proportion of resolved areas. However, this programme is ongoing and there are no grounds for complacency. There is continuous churn in ATM sites and work will continue to find solutions in the remaining target locations.

Fraud

The Consumer Council has received regular reports over the course of the year on levels of fraud and crime at UK cash machines.

As in previous years, the most serious type of fraud has been attempts to capture the details of cards used at the ATM, and then use these details to manufacture counterfeit cards with which to withdraw cash or make purchases using funds from the victim's bank account. Whilst card issuers will refund cardholders who have fallen victim to this type of fraud, it can still cause considerable distress and inconvenience to the cardholder.

Overall fraud levels and losses in particular have been falling. However, there remains an ongoing threat as the organised criminal gangs are constantly looking for weaknesses and have shown skill and organisation in exploiting them.

LINK has supported the police with a number of initiatives, including Olympic preparation and through a number of public "protect your PIN" demonstration events in central London, a format which proved very successful and is being rolled out to other cities.

LINK has continued to offer rewards of up to £25,000 in conjunction with the independent charity Crimestoppers for information relating to ATM fraud and crime. This campaign has been promoted through press releases, advertisements, local press reporting on incidents, and post-incident posters and cards for LINK Members to distribute after an attack has taken place. This has led to a great deal of valuable information being collected and put to use for law enforcement, with a number of rewards paid out so far in 2012.

Information can be given completely anonymously and Crimestoppers can be contacted on 0800 555 111 or through their website www.crimestoppers-uk.org.

£5 notes

In 2010 the Bank of England asked the ten largest bank and building society ATM operators to ensure that £5 notes comprise a minimum of 1.2% of the value of their ATM dispense. It also encouraged the largest independent ATM operators to increase £5 dispense. This initiative was supported by the LINK Consumer Council as providing a clear consumer benefit and the Bank of England received a very positive response.

The roll-outs of £5 dispense began in September 2010 and by summer 2012, 5,435 £5 dispense ATMs had been rolled out. This has meant that 1.5% of value is now being dispensed in £5 notes, nearly £200 million of £5s per month, thus exceeding the Bank of England's target.

In April 2012, Governor of the Bank of England, Mervyn King commented: *“I am delighted that this initiative has been so successful. A key objective for the Bank is to maintain public confidence in the currency, by meeting demand with good-quality genuine banknotes that the public can use with confidence. In my speech at the Mansion House in 2007, I highlighted my concerns about the availability and condition of £5 notes. This initiative has made significant progress in dealing with these concerns, which were also shared by the public. I would therefore like to take this opportunity to thank the ATM operators and those at the Bank of England for their hard work in making this happen.”*

LINK remains in regular contact with the Bank of England, which continues to monitor monthly ATM dispense data and individual operators' forecasts. The Bank expects that in 2012, £4 billion £5 notes will enter circulation, compared to just over £2 billion in 2010.

LINK's online ATM locator was upgraded in August 2011 to add £5 notes as an ATM service feature thus enabling customers to see whether a particular machine dispenses £5 notes or not and in addition there is now a search facility which allows users to search for their nearest £5 note machine. It should be noted that this initiative only relates to Bank of England notes and therefore this does not affect ATMs which dispense Scottish or Northern Irish notes. The media and public remain very interested in this subject and media coverage of individual machines which are dispensing £5 notes remains very positive.

Charity giving

Whilst there had been occasional queries in the past on this subject, the question of charity giving at ATMs was really started by the government's Giving Green Paper which was published on 29 December 2010. The Green Paper stated *“We want banks and ATM providers to let us know how we might make ATM giving happen in the UK and whether there are ways government can facilitate this.”* This generated significant media coverage, with the ATM giving aspect attracting most of the media's attention.

Following a government hosted working party and detailed discussions with LINK with support by the LINK Consumer Council, LINK's governing body the Network Members Council agreed on 29 March 2011 that LINK should implement a Member-wide charity giving service.

Royal Bank of Scotland was the first Member to launch charity giving for LINK cards in 2012, followed by Bank Machine. Other LINK Members will follow suit later in 2012 and into 2013. The Consumer Council welcomes this exciting and innovative development and would like to encourage other LINK Members to participate as soon as possible. The Minister for Civil Society, Nick Hurd MP, has worked with LINK and the industry to help achieve this innovation and commented *“Creating accessible opportunities for giving has the potential to benefit small local charities as well as larger organisations and we are pleased to be working in partnership with LINK and its Members to make this a reality.”*

Signage

The LINK Scheme Executive continues to undertake periodic spot checks of ATM signage and report the results to the Council. This covers both general LINK rules on signage for example, clarity about the ownership of the machine and the use of the LINK logo, as well as specific information about charging at pay-to-use ATMs. These show continued high levels of compliance with the LINK rules.

Overall assessment by the Council of the LINK Scheme's performance against consumer-interest objectives in 2011/2012

The LINK Consumer Council is pleased with the performance of LINK from a consumer's perspective over the last year. However, the Consumer Council recognises that there are increasing risks to the strong universal access to cash position that consumers have in the UK at the moment. These are highlighted by events such as changes by some providers of Basic Bank Accounts to ATM access. The situation is the subject of a number of important initiatives that are currently underway including a consultation by HM Treasury on the future of overall payments regulation. ATMs and access to cash are an important payment mechanism so will be within the scope of this review of regulation. The LINK Consumer Council is actively advising the Scheme in its engagement with this work and we do not intend to cover these important matters in this report given that they are still in progress. However, the Consumer Council will report next year as the work concludes on its impact on consumer access to cash via the national ATM network.

The Council welcomes the £5 note programme, which has seen very good progress with an increasing number of £5 note ATMs. Consumers are seeing more and better quality £5 notes in their change, pockets and purses.

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

The news on ATM fraud has mostly been positive with a reduced number of attacks and losses however 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.

LINK's charity giving initiative is a positive step and is welcomed by the Council. It should help make charity giving part of consumers' routine, as well as giving ATM users an easy and efficient way to respond to specific appeals such as disaster relief and the Council would like to encourage other LINK Members to follow Royal Bank of Scotland's lead in this area.

The Council noted the general absence of consumer complaints about the functioning of the LINK Scheme – encouraging evidence that programmes to ensure the transparency of signage at cash machines and appropriate access to cash machines had been achieving their intended aims.

Annex 1: Complaints procedures

Non-dispense, partial dispense, card capture and unrecognised transactions

If a cardholder believes that they have not received the cash they requested from a cash machine despite their account being debited (non-dispense), that they have received only a part of the cash they requested despite being debited for the full amount (partial dispense), if their card is retained by a cash machine (card capture) or if there is a cash machine transaction on their bank statement that they do not recognise, they should contact their card issuer with whom they hold the card account. In most cases the card issuer will be a bank or building society. The card issuer will then raise the issue with the cash machine operator on the cardholder's behalf.

The customer should have the details of the transaction to hand, i.e. the date, the time, the amount debited, the location of the cash machine and the name of the cash machine operator (this will be displayed on the casing of the cash machine and will be a bank, building society or independent ATM operator) and any receipt provided.

To protect cardholder security, the cash machine operator and anyone else who might be thought to have access to the cash machine (for example the site operator or landlord) is not able to return directly to the cardholder any cards which have been retained by the machine.

Signage on cash machines

If a cardholder considers that signage on a LINK cash machine is missing, inaccurate, or misleading (for example in relation to whether a fee will be charged by the ATM operator for the transaction), or that it may not satisfy LINK's rules⁴ they should contact LINK or the cash machine operator.

Cardholders may report signage issues directly to LINK via the LINK website at

www.link.co.uk/Pages/ContactForm.aspx

or by telephone on 01423 356205

The name of the cash machine operator will be displayed on the machine. The LINK website also has details of all LINK Scheme members at:

www.link.co.uk/AboutLINK/Pages/Members.aspx

Suspicious devices attached to a cash machine

If anything looks unusual or suspicious about the cash machine indicating that it might have been tampered with, or if the cash machine appears to have any unexpected attachments to the card slot or key pad, the customer should not use it, but inform the cash machine operator, the site operator if present (e.g. bank branch staff if the machine is in a bank branch, or sales staff if the machine is in a retail premises), their card issuer or the police.

⁴ LINK rules require pay-to-use cash machines to carry a notice that the machine will charge for the transaction, both on the casing of the machine and on the idle screen visible before the card is inserted. The on-screen notification must state the amount of the charge. The rules also require that the cash machine asks the customer to confirm acceptance of the specific charge before completing the transaction.

LINK Consumer Council

The LINK Consumer Council has been established to represent the interests of consumers and to advise LINK Scheme Members on consumer issues that relate to the LINK ATM network and LINK Scheme rules.

The Council is not responsible for individual cardholder complaints. These should be addressed to the relevant card issuer, cash machine operator or LINK Scheme as set out above. The Council may, however, choose to raise with LINK and its Members concerns evident from consumer complaints. Members of the public or any interested body may draw an issue to the attention of the Council by contacting the LINK Scheme Executive:

through the LINK website at:

www.link.co.uk/Pages/ContactForm.aspx

or by telephone at 01423 356205.