

# Review of LINK Consumer Council

by the Independent Chairman of the Council

November 2016



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## 1. Executive Summary

The LINK Consumer Council has been operating for over 10 years with the role of putting the customer at the heart of the objectives and activities of the LINK Scheme. The Council has an Independent Chair and is comprised of both independent consumer experts and representatives from the LINK Network Members Council (NMC). It has the role of providing LINK with advice on consumer matters relating to the UK cash machine network. It has helped LINK on consumer matters on a broad range of topics, including, but not limited to, access to cash, financial inclusion, transparency of charging, ATM fraud and innovation.

The Independent Governance Review (IGR) conducted by Lord David Hunt in 2015, and supported by a panel of distinguished experts, praised the work of the Consumer Council over the past decade for ensuring that consumer views are represented across all activities of the LINK Scheme. It did, however, make a number of recommendations to ensure the Council is well equipped for the future of the Scheme. This included the appointment of a new Independent Chairman, separate to that of the NMC. It also recommended that the new Chairman conduct a review of the Council's scope, composition, and interaction with the industry and the regulators.

Following the support of these recommendations by the NMC and the Link Scheme Limited (LSL) Board, Tracey Graham, an Independent Non-Executive Director of the LSL Board was appointed as the new Independent Chairman of the LINK Consumer Council in March 2016. This followed the long and distinguished chairmanship of Dr Ken Andrew, who had fulfilled the role since the Council's inception. Tracey Graham would like to thank Dr Andrew for his outstanding contribution to the LINK Consumer Council on behalf of LINK.

This report sets out the new Independent Chairman's review process and recommendations.

## 2. Background and the LINK Independent Governance Review (IGR)

The IGR considered the Consumer Council in the scope of its work on governance of the LINK Scheme and concluded that the Council is well thought of and performs an important role in putting consumers at the centre of Scheme activities.

It proposed that the Council continue its work, but consider the following recommendations:

- The Council should consider changing its membership to exclude Scheme Members, appointing a separate (from NMC) Independent Chairman.
- The Council should be properly resourced; the calibre of the members of the Consumer Council is crucial to its success. The Independent Chairman of the Council should have an unfettered right of access to the Chairman of Link Scheme Ltd (LSL). He or she should also be responsible for recruiting other independent members.
- The Panel believes the Consumer Council should explore how it could work with other payment schemes, such as Bacs and Faster Payments.
- The Panel believes the Council should have direct-access rights to the PSR (which could be enshrined in a Memorandum of Understanding) and should also feel able to raise issues with the media and Members of Parliament.

## 3. Review Process and Approach

The review of the Council has been conducted over the past six months, with specific consideration given to the areas of recommendation by the IGR. The Independent Chairman has consulted with a range of stakeholders on a broad spectrum of areas relating to the Council to ensure that diverse views are taken into consideration in forming the recommendations set out in this report.

This includes all members of the Council, the Managing Director of the PSR, a number of Managing Directors, Independent Chairmen and Independent Directors of other Schemes, the leadership of the Independent Governance Review, and the senior management of the LINK Scheme. A full list of stakeholders and their organisations can be found in Appendix A.

## 4. Proposed Changes to the Council

The Independent Chairman would like to echo the positive assessment of the Independent Governance Review (IGR) in its assessment of the LINK Consumer Council. The Council is, as noted by the IGR, a widely respected organisation seen as bringing consumer thinking to the heart of the LINK Scheme. As such, the review of the Council is not recommending wholesale change. Rather, it seeks to build on the success of the Council to-date, augmented by the feedback received. There are recommendations in the following five areas:

- a. Council Structure and Membership
- b. Scope of the Consumer Council
- c. Governance of the Council
- d. Engagement with Payment Schemes & Industry
- e. Promotion of the Council

## **a. Council Structure and Membership**

The Council today consists of a majority of independent consumer representatives who are appointed by the Independent Chairman. This currently comprises Toynbee Hall, Citizens Advice, Consumer Council Northern Ireland, Lady Margaret Bloom CBE and Teresa Pearce MP. In addition to this, there are up to four representatives of Network Members elected by the NMC (at least two from card issuers and two from acquirer-only Network Members). These are currently NoteMachine, PayPoint, and RBS. Representatives of Network Members never form a majority of the Council.

The IGR suggested that such a body might more usually consist predominantly or even entirely of independent, consumer-orientated individuals. However, the Chairman's analysis has highlighted the very important roles that both cohorts of members are seen as performing in debating consumer issues and forming recommendations for the LINK Scheme. The independent members are seen to bring a broad spectrum of views and specific consumer insights from their organisations and their personal experience. The NMC representatives are seen to bring a specific set of skills in understanding the complex mechanics and operations of running an ATM network or issuing cards to consumers. Both roles are seen as important to maintain a healthy balance in the discussion and debate. Therefore, the recommendation is to keep independent and Member representation.

The current Chairman's appointment was unanimously supported by the LSL Board on an open-ended basis. This report recommends that, at the end of three years (March 2019), the LSL Board formally reviews the status of the Chairmanship of the Council, including the level of independence, and tenure of the Council Chairman.

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**“If you didn't know, you wouldn't put a badge on anyone. All the discussions are very balanced. The Council acts as a group, rather than in the self-interest of parties.”**

There were a number of suggestions made to broaden the independent experience on the Council. A range of suggestions for additional independent members was put forward, such as consumer groups, organisations representing specific consumer needs (e.g. Scope or RNIB), government departments, and technical or consumer specialists. The Chairman's analysis also identified an increasing interest from government in payments, cash access and ATMs. To that end, the Chairman has started discussions with the Department for Work & Pensions (DWP) to see if it would make sense for a Senior Civil Servant from the policy area to join the Consumer Council. Input from DWP in strategic areas – such as financial inclusion, access to cash, government payment strategy in relation to matters including Universal Credit, and using the ATM channel to support wider policy – would be most valuable to the work of the Council and would also be of interest to the Department. In addition to this, the Chairman, in conjunction with the Scheme Executive, will consider other areas where specialist independents could strengthen the Council, e.g. fraud and crime. Any remuneration of independent Members of the Council will be at the discretion of the Independent Chairman, supported by the Scheme Executive and within agreed budgets.

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**“The Council may wish to engage more with Government, in particular DWP, so that LINK can directly participate in future innovation.”**

Whilst the LINK Scheme's future governance was being assessed as part of the IGR, the previous Chairman took the decision to put on hold elections for NMC Member positions on the Council until its future position was understood. This included the expiry of the tenure of existing NMC Members of the Council. It is recommended that the Chairman re-introduces the normal election process from 2017 onwards. This will give consideration to an election for the current vacancy for a card issuer to join, as well as the Chairman using their discretion to phasing the election of other NMC members. This should be done in a way that meets the terms of reference whilst

ensuring continuity of the Council's work. It is worth noting that should NMC's status be changed, then the Chairman may need to also review the election process in the Terms of Reference to support a selection, for example, from the guarantors of the Company Limited by Guarantee.

The stakeholders consistently supported the current structure of four meetings a year as providing the right balance between discussions and the time for actions taken between meetings. Papers should continue to be kept brief and succinct, and retaining a focus on the purpose of the discussion and a view or decision needed by the Council.

## b. Scope of the Council

The IGR highlighted that the "emphasis of the Consumer Council's work is on consumer activities that are under the control of the NMC, although it may also look at the impact on consumers of activities outside the NMC's control but related to ATMs". The IGR also noted that "if its proposals are accepted, the LSL Board will be required to take full account of the public interest, so the Consumer Council, as and when it identifies genuine consumer detriment, should find a ready ear at Board level".

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**"The Financial Inclusion Programme shines brightly as the star of the LINK Scheme. Our role is not to be complacent, but to keep innovating to enable all consumers universal access to free-to-use ATMs."**

The Consumer Council currently considers a range of areas, such as access to cash, financial inclusion, transparency of charging, ATM fraud and innovation. The Chairman is recommending that the Council continues to focus on existing areas of interest, but also develops its research into areas such as innovation, broader access requirements of segments in addition to those financially excluded, and important industry issues, such as ATM fraud and crime. In its new role as a subcommittee of the LSL Board, the Council should also stand equipped to support the Board on any wider consumer issues where appropriate.

## c. Governance of the Council

The Independent Chairman's review considered the future governance of the Council and concluded that it needs to continue to be independent of the LINK Scheme in order to fulfil its role of providing independent advice and guidance. Recent history shows that there are cases where the independence of the Council and its advice is important in decision-making about policy and rules, and so the Council should formalise how it agrees its advice to the Scheme. To this end, the Chairman intends that the Council should establish a voting mechanism on agreeing recommendations to the NMC that is based on the votes of the independent members only (although with full input and advice from the NMC representatives). Quorum for such votes should be four independent members, including the Chairman, and the Chairman should have a casting vote. The views of the NMC representative members should be noted in the minutes, which are already a matter of public record.

The Council should continue to have the power of publishing an independent annual report that provides further details of its objectives, members, activities and forward-looking priorities, together with its assessment of the LINK Scheme's performance, and its judgement against its consumer-interest objectives. The annual performance assessment should be voted on as above.

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**"As an independent member, my voice is heard. I can say what I think! We have never, in fact, reached an outcome without a two-way debate."**

## d. Engagement with Industry

The IGR considered the role of the Council with wider industry, other schemes and the PSR. The Panel believed that there would be considerable advantage to the Consumer Council being able to directly access the PSR to make its views known. In addition, they noted the possibility of broader work alongside other schemes.

The Chairman has met with a number of the other payments schemes to discuss how the LINK Consumer

Council could work more closely with them to support broader consumer issues with payments. These meetings have highlighted that there is a number of common areas of focus across the schemes, e.g. financial inclusion, innovation, fraud, etc. However, the discussions have also identified that there are a number of important differences in the way schemes operate, e.g. in the most effective way to engage consumers, in the definition of consumers or end users, and also in the objectives and membership of the schemes. LINK is currently the only Scheme that has a Head of Consumer Affairs accountable for the representation of consumers within the Scheme.

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**“Maybe the council should expand its work to become more engaged with ‘general consumer’ needs in addition to its strong focus on disadvantaged customers.”**

This means that there is value in each scheme operating its own bespoke model in this area. To this end, the Chairman recommends that the LINK Scheme continues with its own Consumer Council given the critical and successful role it plays in addressing specific areas relating to cash and ATMs. However, there are strong areas of common interest where the schemes can work more closely together, e.g. broader industry consumer issues, and research. The Chairman, therefore, recommends that LINK shares its model with the other schemes so they can adopt components of the model that may work for them, and also convenes a cross-scheme consumer meeting, probably on an annual basis. This meeting should be formed of the LINK Consumer Council Chairman and relevant representatives from the Scheme Executive, along with their counterparts in the other schemes. The initial scope should be consumer engagement and determination of where there may be areas that the schemes could work more closely together in the future.

The payments industry is in the process of developing its future strategy. This is focused on addressing consumer needs and includes consideration of the merger of a number of the other interbank schemes to simplify access. Whilst not in scope of this merger,

LINK is fully engaged and supportive of the work of the Payments Strategy Forum, and stands ready to provide any consumer input that could help this work.

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**“It would be interesting to understand more about other payment schemes. Are there common themes? Should we consider a workshop once a year where each scheme gives a presentation on their consumer work plans?”**

In addition to this, the Chairman recommends that the LINK Consumer Council invites the PSR to its meeting annually to present and discuss consumer strategy for the industry and report on the progress of LINK in relation to consumer matters. In meeting with the PSR, they have confirmed that they are happy to support this and are comfortable with the direction of travel of the Chairman’s review. The right of the Independent Chairman to unfettered access to the PSR, as recommended by the IGR, will be incorporated into the revised Terms of Reference for the Council.

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**“I would like us to consider inviting the PSR to come along to one of the Consumer Council meetings to share with us their agenda and what’s on their mind.”**

#### **e. Promotion of the Council**

In her review, the Chairman consistently found that the Council has had a very positive impact on the LINK Scheme and in improving consumers’ access to cash in the UK. The Scheme Executive and the Council engage with a wide range of stakeholders to improve the PR of its work, e.g. with media, MPs, customer’s, Local Councils, consumer groups and government groups, such as the All Party Parliamentary Group, on payments, financial inclusion commission work etc. A number of stakeholders have, however, suggested that there are a range of ways that the work of the Council could increase this activity and that more time should be invested in this area. Therefore, the Council

will commission a review of its PR strategy with a view to increasing engagement across all stakeholders and consumers and will also consider refreshing the channels by which it can raise its profile, e.g. its website.

## 5. Next Steps

The LSL Board and the Consumer Council are asked to approve the recommendations set out in this report. Subject to this agreement, the following recommendations will be taken forward by the Chairman:

- Adoption of the new Terms of Reference (TOR) outlined in Appendix B which confirms the membership and governance of the LINK Consumer Council.
- Appointment of new independent members of the Council – initially to progress a position with DWP before considering other appointments in future months, e.g. fraud and crime.
- Commence the election of a new card-issuing NMC Member to fill the current vacant position on the Council.
- Include within the new TOR the expanded scope of the Council in considering research into areas of broader interest, e.g. innovation, access requirements of other consumer segments. In addition to this, the Council will fulfil its role as a subcommittee of the LSL Board.
- Establishment of an initial cross scheme consumer meeting to discuss areas of common consumer interest and consider ways of working together more effectively, e.g. sharing research.
- Invite the PSR to the Council meeting on an annual basis to present and discuss consumer strategy for the industry and report on the progress of LINK in relation to consumer matters.

A copy of this report will be circulated to all stakeholders involved in the review and will be published on the LINK website.

## Appendix A

### List of stakeholders engaged in the review

Name	Role / Organisation
<b>Independent Governance Review Panel</b>	
Lord David Hunt	DAC Beachcroft, Independent Non-Executive Director on LINK Scheme Ltd Board, Lead on IGR
Giles Peel	DAC Beachcroft, IGR Project Manager
<b>Members of the Consumer Council</b>	
Lady Margaret Bloom CBE	Independent Member of LINK Consumer Council
Teresa Pearce MP	Independent Member of LINK Consumer Council
Sian Williams	Member of LINK Consumer Council, Toynbee Hall
Pippa Lane	Member of LINK Consumer Council, Citizens Advice
Eimear Duffy	Member of LINK Consumer Council, Consumer Council Northern Ireland
Adam Bailey	NMC Member of LINK Consumer Council, RBS Group
Nigel Constable	NMC Member of LINK Consumer Council, NoteMachine
Tim Watkin-Rees	NMC Member of LINK Consumer Council, PayPoint
<b>Other Payment Schemes and Regulators</b>	
Hannah Nixon	CEO Payment Systems Regulator
Craig Tillotson	CEO Faster Payments
Nick Caplan	Independent Chairman, Faster Payments
Virginie Bauthier	Service User Engagement Manager, Faster Payments
Mike Chambers	CEO Bacs
Anne Pieckielon	Bacs
David Core	Bacs
David Hensley	CEO Cash Services
Steve McArdle	Independent Director, Cheque & Credit Clearing
<b>LINK Scheme</b>	
Ken Andrew	Link Scheme Ltd Chairman
John Howells	LINK Scheme CEO
Mary Buffee	Head of Consumer Affairs, LINK Scheme

## Appendix A

### Proposed Terms of Reference of LINK Consumer Council

#### 1. Purpose

The LINK Consumer Council's ('the Council') role is as an independent Council established to represent the interests of consumers and advise the Link Scheme Ltd (LSL) Board on consumer issues that relate to the LINK Scheme. The Council is independent of the LSL Board and the Network Members Council (NMC), although a number of NMC Members will be represented on the Council. The NMC has already accepted an obligation to respond formally to any questions put to it by the Council.

#### 2. Composition

The Council will be chaired by an Independent Chairman (Chairman), appointed by the LSL Board. The Council will consist of:

- a minimum of four or more independent members (Independent Members), who will represent the views of consumers. These Independent Members will be invited to join the Council by the Chairman of the Council, following advice and input from the LINK Scheme Executive. Any remuneration of Independent Members (who are to be considered on the Council in their individual capacity) will be at the discretion of the Chairman with input from the LINK Scheme Executive
- four representatives of NMC Members (Scheme Council Members, or SCM) will be elected by the NMC. Two shall be from NMC Members that issue cards used in the LINK network, and two shall be from acquirer-only NMC Members. NMC Members who nominate themselves for election to the Council must be NMC Representatives. In the event that there is more than one nomination for a position, all NMC Members will be asked to identify their first and second choice candidates from the relevant list of nominations. Each NMC Member's full vote will be counted towards each of their first and second choices. Neither the vote for their first choice nor second choice candidates may be split between candidates. Votes will be cast by secret ballot. Those candidates with the highest total of votes shall be elected as the SCM.

The Chairman of the Council will oversee all aspects of the election process and will announce the successful candidates. No lobbying or similar activity is to be permitted. Any NMC Member engaging in lobbying shall, at the Council Chairman's complete discretion and for that election only, forfeit their right to vote in that election and be unable to put forward candidates for vacant posts.

SCMs will not form a majority of the Council. In addition to the views of their own institution, the SCMs should endeavour to represent the range of views expressed by NMC Members (where known and not subject to any confidentiality duty), but not attribute specific views to individual NMC Members. Nothing should be discussed by an SCM that is in breach of competition law.

The LINK Scheme Executive will attend meetings of the Council, and provide secretariat support to the Council, but will have no voting rights.

SCMs shall be appointed for a three-year term, subject to the Chairman's confirmation of each appointment after the first year.

Only SCMs who attend at least one half of the Council meetings in the calendar year during which they are on the Council will be able to retain their seat. They may not stand for re-election for a vacant position for at least another calendar year.

The Council will meet not less than twice a year. The LINK Scheme Executive will provide administrative support for up to six meetings per year.

Delegation of SCM's responsibilities, including attendance at Council meetings, is not allowed unless under exceptional circumstances and with the agreement in advance of the Chairman. If an SCM does not attend at least half of the Council's meetings in a calendar year through delegation or otherwise, they shall be retired and their position shall become vacant. They may not stand for re-election for a vacant position for another calendar year.

There are cases where the independence of the Council and its advice is very important in decision-making about policy and rules. To this end, the Council has a voting mechanism on agreeing recommendations; this is based on the votes of the Independent Members only (although with full input and advice from the SCMs). Quorum for such votes should be four Independent Members, including the Chairman, and the Chairman should have a casting vote. The Chairman is also an Independent Member for all votes. The views of the SCMs are to be noted in the minutes, which will be a matter of public record.

The Council must agree any spending in advance with the LINK Scheme Executive.

### **3. Terms of reference**

The main purpose of the Council is to provide advice to the LSL Board. Council members do not have any executive responsibility for the running of the Scheme.

The Council will not be responsible for individual consumer complaints, which should continue to be addressed to relevant NMC Representatives. The Council may choose to raise concerns evident from consumer complaints. The Council will consider from a consumer perspective issues for the LINK Scheme that relate to consumers. This will include, but not be restricted to, distribution of the pay-to-use and free-to-use network, financial inclusion, fraud and innovation.

Whilst the Council can discuss and comment on any issue related to consumers' use of ATMs, there are some issues, e.g. the level of consumer charges, that are competitive decisions for individual NMC Members that competition laws prevents the NMC from discussing. Any Council views on these matters will be passed on to the relevant NMC Member for their individual consideration.

The emphasis of the Council's work is on activities that are under the control of the LINK Scheme, although it may also look at the impact on consumers of activities outside of the control of LINK but related to ATMs.

Whilst the Council will have regard to the interests of consumers who may be considered disadvantaged in relation to access to financial services, they will also have an overall regard to all UK consumers.

The Council will:

- (i) represent the interests of consumers by advising, commenting and making recommendations on activities related to ATMs and, in particular, on existing and developing LINK Scheme policy and practices that affect cardholders
- (ii) speak on behalf of consumers by reviewing, monitoring and reporting to LSL on the effectiveness of the LINK Scheme's policies and practices
- (iii) assess the effectiveness with which LSL has delivered its objectives with respect to cardholders, namely to:
  - listen to and take account of the interests of all cardholders
  - provide universal acceptance of cards in ATMs in the UK
  - provide transparency on direct charging at ATMs
  - ensure clarity of branding so that customers know who is responsible for each ATM that they use
  - ensure that customers have secure, reliable, access to their cash at ATMs.

The Council is a sub-committee of the LSL Board and will report its conclusions and recommendations to the LSL Board who will respond to any questions or recommendation made by the Council within a maximum of three months.

#### **4. Confidentiality and public accountability**

Discussions within the Council will be confidential, and all Members agree to respect the confidentiality of discussions. A breach of confidentiality may result in loss of membership should the Chairman or a majority of Independent Members consider this appropriate.

The Council will publish an annual report summarising its findings, providing that a majority of Independent Members approve the report. All Council members will be allowed to express their views in an appendix to the report if they are not in agreement with the majority. The LINK Scheme Executive will assist in the preparation of the report, which will be given space on the LINK website.

The Council has unfettered access to raise any consumer matters it so wishes with the Payment Systems Regulator or any other appropriate regulatory body. In the event of such an approach, the Chair will inform the Chair of the LSL/CLG Board of the substance of its communication with the PSR or other appropriate regulatory body and any subsequent response that is received.

The Council may at any other time choose by majority agreement to make a public announcement, with minority Council members allowed to append their own views to that announcement. Such announcements will also be given space on the LINK website.

If you are a consumer group or organisation that would like to know more about LINK or have any suggestions or feedback for the team, please get in touch.

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