

LINK CONSUMER COMMITTEE

2006/2007 Report

This report describes the work of the LINK Consumer Committee in the year to June 2007, and the Committee's assessment of the effectiveness with which the LINK ATM Scheme has met its consumer-interest objectives. It has been prepared and approved by the members of the Committee.

Foreword from the Committee Chairman

It is a great pleasure to introduce this, the first Annual Report of LINK's Consumer Committee. The past year has been an exciting and productive one for the LINK cash machine network, marked by developments which I believe will be of considerable benefit to consumers across the country.

I would like to express my sincere thanks to the members of the Committee and to the Scheme Executive, all of whom have worked extremely hard and well together. I would like to pay particular tribute to the work and involvement of all the consumer representatives from outside LINK who have brought great skill, knowledge and understanding to the work of the Committee.

The objectives we set for the first year of the Committee have been achieved and it was particularly gratifying that the ATM Working Group set up by the government asked the Committee to advise on appropriate signage at cash machines. Delivering our proposals, which were fully accepted by the ATM Working Group, together with the work on financial inclusion issues which is leading to more free-to-use cash machines in communities where these can make the most difference, have been notable highlights in a successful year.

We all look forward to the challenges ahead and I recommend this report to the public at large.

Dr Ken Andrew

23 July 2007

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THE ESTABLISHING AND PURPOSE OF THE COMMITTEE

The Standing Committee on Consumer Issues ('the Committee') was established by the LINK ATM Scheme in April 2006 to represent the interests of consumers and advise the Scheme on consumer issues that relate to the LINK ATM network.¹

The Committee is by design independent of the LINK ATM Network's other governing bodies, although two representatives from card-issuing banks and building societies and two from cash machine deployers that do not issue cards have places on the Committee alongside the external independent members.

Members of the Committee

The Chairman

- **Doctor Ken Andrew** has had responsibility for businesses in over 28 countries around the world, most of these in the consumer financial services area. Dr Andrew also acts as independent non-executive 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 ATM Scheme".

Members

The Committee is comprised of four or more independent members who represent consumer interests,² two representatives from banks or building societies issuing LINK cards and two representatives from LINK Scheme members that deploy cash machines but are not card issuers.

The following served as members of the Committee between April 2006 and June 2007.

- **Margaret Bloom CBE**, an economist and a Visiting Professor in the School of Law, King's College London. Margaret is a senior consultant for Freshfields Bruckhaus Deringer following her retirement from the OFT in summer 2003 where she was Director of Competition Enforcement for six years. Prior to

¹ The March 2005 Treasury Committee report on *Cash Machine Charges* recommended that consumer groups could be invited to sit on LINK working groups so that their views could be taken into account. The creation of the Standing Committee on Consumer Issues has been intended in part to meet that recommendation. The OFT-chaired Payment Systems Task Force (including HM Treasury, consumer organisations and representatives of the banking industry) welcomed LINK and its Members' plans to include direct consumer representation in the LINK ATM Scheme's governance through this Consumer Committee in the OFT-published report of April 2006 (<http://www.of.gov.uk/news/press/2006/69-06>).

² The Committee would also like to thank Sue Edwards of Citizens Advice and Dominic Lindley, formerly of the Treasury Committee Secretariat and subsequently of *Which?*, for their participation in the Committee's discussions.

joining the OFT, Margaret worked in the Cabinet Office and the Department of Trade and Industry. Margaret is also a Trustee 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.
- **Francesca Hopwood Road**, Assistant Social Policy Officer (Consumer, Justice and Money) at Citizens Advice
replaced in April 2007 by
- **Tony Herbert**, Social Policy Officer (Essential Services) at Citizens Advice
- **Nicola O'Reilly**, Senior Policy Advocate at the National Consumers Council
- **Mary Buffee**, Head of ATM strategy & business development at Lloyds TSB
- **David Malley**, ATM Service and Operations, RBS
replaced in January 2007 by
- **Gillian Sephton**, Head of Planning and Strategy, ATM Channel, HBOS
- **Mick McHale**, Marketing Services Director, Cardpoint
- **Tim Wilder**, Managing Director, Calypso Europe Ltd and Triton Europe PLC.

The objectives of the Committee

The Committee 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 ATM 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 Committee 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 ATM Scheme policies and practices.³ In particular 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);

³ The Committee 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 Committee may, however, choose to investigate concerns evident from consumer complaints. See Annex 2 for a description of how and to where complaints should be made.

- 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 Committee does not have executive responsibility for running the LINK network.

Overview of the Committee's work in 2006/2007

In its first year, the Committee focused in particular on:

- transparency of signage at cash machines where cardholders are charged a fee for making cash withdrawals (“pay-to-use” cash machines); and
- the breadth of access to free-of-charge cash withdrawals.

The Committee also considered a range of other issues including transparency at new foreign-currency dispensing cash machines connected to the LINK network, possible areas of innovation, fraud prevention and the relationship between the Scheme and the Post Office.

A REPORT ON THE WORK OF THE COMMITTEE AND LINK ATM SCHEME IN 2006 / 2007

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

In May 2006, the then Economic Secretary to the Treasury Ivan Lewis established an ATM Working Group under the chairmanship of John McFall MP, chairman of Parliament's Treasury Committee. One of the objectives of the Working Group was to analyse the extent of access to free-to-use cash machines, whether significant gaps existed in the 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 particular concern as to whether free-to-use machines were becoming concentrated in busier town centres but disappearing from lower-footfall locations.

Research undertaken and considered

The Committee compared LINK data on cash machine distribution with government-produced data on deprivation.⁴ This showed that while a large majority (around 84%) of those areas in the lowest quartile of the Indices of deprivation⁵ did have free-to-use cash machines, there was still a significant number of relatively deprived areas without convenient access to free cash machines. The Committee, and the ATM Working Group, considered that free-to-use cash machines could potentially make a real difference to these communities.

The Committee also looked at data on how the distribution of free-to-use cash machines was changing over time. The overall number of free cash machines had increased slightly over recent years, but Members of Parliament had been concerned that this was due to larger numbers of free machines clustered in busy locations while free-to-use machines in lower-footfall and less prosperous areas were being replaced by pay-to-use machines.

LINK figures showed that although the total number of free-to-use cash machines increased in the first quarter of 2006, the number of solo machines more than one kilometre from the next nearest free-to-use machine decreased very slightly. The numbers of machines involved was tiny compared with the total of over 30,000 free cash machines, and it was not possible to distinguish a decisive trend. The analysis showed, however, that rising overall numbers of free machines did not necessarily indicate that access to free-to-use cash machines was genuinely expanding. The Committee welcomed LINK's commitment to continue to produce and publish data on changes in the distribution of the free cash machine estate to enable more accurate analysis over the coming years.

Changes made

⁴ This analysis was shared with the ATM Working Group and is set out in detail in the report of the Working Group, *Cash machines – meeting consumer needs*, 13 December 2006. See Chapter 2, pages 9 to 12 of the report available at:

http://www.hm-treasury.gov.uk/documents/financial_services/financial_inclusion

⁵ <http://www.communities.gov.uk/index.asp?id=1128444>

Operators of free-to-use cash machines are paid a fee (the “interchange fee”) by a cardholder’s bank each time that a cardholder makes a transaction at a free-to-use machine. The LINK ATM Scheme proposed that this fee should be increased for cash machines in the target areas identified by comparing deprivation indicators with LINK data on the distribution of existing free-to-use machines. This would encourage cash machine operators to maintain and deploy new free-to-use machines in these most critical areas.

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

The Committee welcomed this proposal to adapt the interchange fees, which was incorporated into LINK rules in December 2006, as well as the commitments by individual cash machine operators to deploy new free-to-use machines in the target areas.

Progress on implementation

Drawing on the data and analysis discussed in the Consumer Committee, the ATM Working Group chaired by John McFall concluded that around 600 new free-to-use cash machines would address the vast majority of free-of-charge cash access issues in the identified target areas. The Working Group also recognised, however, that in some areas it was unlikely ever to be feasible to deploy a cash machine due to highly scattered populations or lack of suitable premises.

By end-June 2007, LINK cash machine operators had identified over 400 sites in target areas currently without access to free-to-use cash machines. 171 of the new cash machines had already been installed. Bank of Ireland, HBOS and RBS (Hanco) as well as independent ATM deployer Bank Machine accounted for the majority of sites identified, while Bank Machine, Co-operative Bank, HBOS and RBS (Hanco) had made the most progress in deploying live machines.

Value added by the Committee

Independent members of the Committee were pleased to be able to encourage LINK to produce and publish data to support more accurate analysis of changes in the ATM estate than had previously been possible, and to provide advice on how this LINK data could be combined with government data.

The Committee played a particular role in discussing and agreeing how to define the criteria for identifying which areas should be the priority for the roll out of free-to-use cash machines. Committee recommendations that a 1 kilometre walking distance was the maximum that could be considered to be within easy range of a cash machine, and that it was appropriate to focus extra money on those areas within the fourth quartile in terms of deprivation indicators, were adopted by the LINK Network Members Council and the ATM Working Group chaired by John McFall.

Consumer groups on the Committee were also able to offer practical support to LINK members looking to deploy new free-to-use cash machines in these target areas by

offering to support planning applications, while some Citizens Advice Bureaux helped in work to locate target areas and suitable sites.

The Committee's assessment of the work of the LINK ATM Scheme on financial inclusion

The Committee welcomed the changes to LINK's rules, noting that they were believed to be the first example of this type of policy anywhere in the world. It also welcomed the work by individual LINK Scheme members to deploy new free-to-use cash machines. Both the rule changes and member programmes demonstrated a willingness to take consumer interests into account, and extend secure, reliable access to cash to a wider range of locations and communities. The changes to the rules were intended to ensure that the impact of the programme was a lasting one, with long-term incentives to install and maintain free-to-use cash machines in areas where they would otherwise not exist.

Transparency of signage

In March 2005, Parliament's Treasury Committee recommended that, given the differences in views submitted to the Treasury Committee on consumer awareness of charges at pay-to-use cash machines, LINK should conduct and publish independent research into awareness of charges in conjunction with consumer groups. LINK conducted this research in early 2006, sharing it with consumer groups in the Consumer Committee at the June 2006 meeting of the Committee, and publishing the key results.⁶

The task of following up issues raised in the 2005 Treasury Committee Report on *Cash Machine Charges*⁷ was given to the ATM Working Group established by the government in May 2006. This Working Group in turn asked LINK's Consumer Committee to look at the issue of transparency of signage at cash machines. The Working Group requested that the Consumer Committee examine the evidence collected, and propose to the Working Group how an "at-a-glance" standard of signage at pay-to-use cash machines could be achieved.

Research undertaken and considered

The Committee considered the findings from the LINK research. The research had shown that around one in five users of pay-to-use cash machines had failed to spot any charging notices on machines at which they had just completed a transaction. This was despite all the pay-to-use machines surveyed having on-screen and casing notices about charges, and requiring the customer positively to confirm acceptance of charges before completing the transaction.

The Committee accepted that this apparently disappointing level of recognition of charges could reflect both the insufficient prominence of charging notices and the tendency of some users to pay no heed even to appropriately clear notices. In quick-

⁶ http://www.link.co.uk/press/2006/mn_press_release_030506.htm

⁷ <http://www.publications.parliament.uk/pa/cm200405/cmselect/cmtreasy/191/191.pdf>

stop locations such as petrol stations, the proportion of cardholders failing to notice pay-to-use signs was, for example, significantly higher than in convenience stores where time pressure is perhaps somewhat less. The Committee accepted that for some cardholders, convenience and speed are sometimes more important than price, and it will always be difficult to achieve 100% recognition of pay-to-use notices unless these are made unreasonably intrusive. On the other hand, the research showed significant variation across cash machine operators in respect of whether charging notices had been identified, indicating that some styles of notice were significantly more effective than others.

One clear finding from the research was that on-screen notices were more likely to be noticed than casing notices. LINK Scheme members thought that this was due to the tendency of cardholders to look at the screen for instructions while often ignoring external signs. There was already a large amount of signage present in most retail environments. Screen notices were also easier for cash machine operators to maintain than casing notices given that they were under the control of the operator and were not subject to vandalism or removal.

Another finding was that the vast majority of cardholders using cash machines (96% – 97%) knew that machines at bank and building-society branches were free to use. Since there was no risk of being unwittingly charged at a free-to-use cash machine, and independent members of the Committee had observed a significant improvement in signage at free-to-use cash machines since the Treasury Committee’s 2005 report on cash machine charges, the Committee accepted that the costs of seeking to standardise signage at free machines were likely to outweigh any benefits. The consumer interest seemed better served by encouraging free-to-use cash machine operators to install more free-to-use cash machines in deprived areas than by additional spending on signage at existing free-to-use cash machines. The independent members of the Committee nevertheless encouraged free-to-use cash machine operators to continue to seek to ensure all customers were aware that their machines were free.

The Committee also considered survey evidence collected by Citizens Advice, the difficulty that NOP surveyors working on behalf of LINK had in some cases experienced in locating pay-to-use signs, and over 50 direct complaints that LINK had received from members of the public about machines thought to carry no charging notices when in fact they had done so.

Taken as a whole, the evidence led the Committee to conclude that the minimum requirements in LINK’s rules did not achieve the desired “at-a-glance” standard. There were too many pay-to-use cash machines at which “at-a-glance” signage was not in place, even though some charging operators did have clear signs across their ATM estates.

The Committee concluded that a better level of customer recognition of charges could be achieved at reasonable cost if some of the standards set by those ATM operators who had achieved higher cardholder recognition of charges were adopted in a more standardised form across all pay-to-use machines in the LINK network.

At the same time, the Committee recognised that the costs of change would ultimately be borne by the users of pay-to-use cash machines, and that a relatively gradual change, which would significantly reduce the costs of change without long-term loss of benefits, would benefit the consumer interest more than an abrupt change.

Changes made

Following discussion and debate with LINK Scheme members, the Committee proposed to the ATM Working Group chaired by John McFall MP a set of changes to signage at pay-to-use cash machines including:

- increasing the minimum font size of external notices from 14 point to 24 point;
- standardising the colour and design of external notices so that they were either black or dark blue text on a white background, with black or dark blue border, or black text on a yellow background with black border;
- increasing the minimum font size of text in on-screen notices (to point 32 for screens over 200mm wide, point 26 for screens between 170mm and 200mm wide, and point 18 for screens less than 170mm wide);
- standardising and modestly changing the wording of charging notices to enhance clarity and consumer understanding.

These changes were agreed unanimously in the ATM Working Group, and incorporated in the LINK Scheme Rules in December 2006. Examples of the new signs are included in Annex 1.

The Committee agreed that all machines which could download new screen notices remotely should do so by end-June 2007, while for those requiring a visit from an engineer a longer time scale, until end-2007, was reasonable.

The Committee also proposed a deadline of end-2007 for meeting the enhanced external sign requirements.

These proposed deadlines for changes were incorporated into the LINK Rules in December 2006. The Committee considered it important, however, for all parties to realise that even these changes, once implemented, would not achieve 100% recognition of charging given that some consumers ignored even the most explicit notices.

Progress on implementation

Alliance & Leicester was the first LINK Scheme member to confirm that changes to on-screen notices had been applied, with these being complete across its ATM estate by the beginning of March 2007. Independent deployer Cashbox had also completed screen changes across its estate by end-June. Infocash had completed roll-out of the new screens on that part of its estate where it was possible to do this without engineer visits. One pay-to-use cash machine operator – the Co-operative Bank – had been

granted a dispensation from making screen changes as it would be removing charging completely, and was already in the process of reducing its charging estate as it moved towards this ultimate aim by the end of 2007. Many other pay-to-use operators needed engineer visits in order to make changes to at least a large part of their estates so that the later deadline of end-December applied. Disappointingly, a number of pay-to-use operators were, however, due to miss the end-June deadline by a few weeks on account of changes not having been implemented prior to change freezes affecting parts of the LINK network during an annual disaster-recovery exercise.

The Committee and ATM Working Group had recognised when agreeing the new signage standards that some older models of cash machine appeared to be unable to meet the letter of the new on-screen signage rules due to technical limitations. The Committee welcomed subsequent news that the manufacturer of these machines had found a way of fulfilling the rules with greater effectiveness than had initially been anticipated. The new functionality would not, however, be available until towards the end of 2007 and changes would require engineer visits to almost all machines, such that even the end-2007 date was most unlikely to be met for these machines. The Committee regretted this delay, and sought assurances that there were clear plans and target dates for the conversion of these machines to the new standards as soon as reasonably practicable in 2008.

Some LINK Scheme members, including Bank Machine and Omnicash began to roll out new casing signs to their pay-to-use cash machines in the first half of 2007. Some others, including Hanco, Cashbox and Cash4All, already exceeded the new standards. Others had made no progress by mid-year and the Committee was concerned that these members would risk missing the end-year deadline. Sanctions, in the form of mechanisms to recover damages or, ultimately, disconnection, existed for any Scheme members who did not comply with the new rules.

Value added by the Committee

The Working Group established by John McFall delegated to LINK's Consumer Committee the task of proposing signage rules that would achieve "at-a-glance" visibility of charges.

The Committee, by bringing together the operators of pay-to-use machines and interested consumer groups, was able to play this key role. Discussions in the Committee ensured that pay-to-use operators were fully aware of consumers' concerns, and consumer groups were equivalently aware of operators' concerns as well as the practical and technical constraints faced by operators. This helped to find a solution that was ultimately accepted unanimously by all LINK Scheme's charging members in the Network Members Council as well as all the consumer groups in John McFall's ATM Working Group. The Committee undertook much of the detailed work on agreeing the precise wording of notices, the rules on placement of messages on the screen, and a realistic timescale for change which struck an appropriate balance between benefits and costs.

Committee members hoped and intended that the engagement of consumer groups and consumer representatives in the Committee, and thereby in the process of formulating the relevant LINK Scheme rules, would ensure that the solution chosen

would be an enduring and stable one as desired by the ATM Working Group. This desire for an enduring solution reflected recognition that changing signage at around 25,000 ATMs is a costly exercise and that these costs ultimately fall on the consumers who use the machines.

The Committee's assessment of the work of the LINK ATM Scheme on transparency

The Committee was satisfied that the LINK ATM Scheme and its members had engaged constructively in discussions on changes to the LINK rules on cash machine signage, and had listened to and accommodated consumer concerns. While progress on implementation of the signage improvements has in some cases been slower than Committee members had hoped, deployers of pay-to-use cash machines appeared to have set out to implement the chosen solution with genuine intent to meet the new standards in spirit and letter. It would be important that this work was completed in a timely manner in the remainder of 2007, though the Committee recognised that with respect to some older types of ATM, for which a means had been found for greater improvement in clarity of signage than had previously been thought achievable, some extension of the timetable into 2008 would be necessary.

The Committee, like the Treasury Committee and ATM Working Group accepted that, with appropriate transparency of charges applied, pay-to-use ATMs were a legitimate business model that helped to extend access to cash into areas where it would not otherwise exist.

Other issues considered by the Committee

Post Office access to the LINK ATM Scheme

In July 2005 the Payment Systems Task Force set up by the Chancellor of the Exchequer and chaired by the Office of Fair Trading set up a "LINK Access and Governance Working Group" to consider the benefits and weaknesses of LINK's then-existing access and governance arrangements, and any potential changes to remedy any identified weaknesses.⁸ Among the issues debated in this Working Group was that of Post Office access to the LINK ATM Scheme.

Post Office Ltd, which had participated directly in the OFT-chaired LINK Access and Governance Working Group, had applied to join the LINK ATM Scheme in December 2004. The Working Group report had noted that, as a result of proposing neither to deploy ATMs⁹ nor to issue LINK-enabled cards, Post Office Ltd did not meet the access criteria for the LINK Scheme. Post Office Ltd requested that the criteria and rules be changed to allow it to join with an over-the-counter cash withdrawal service, but this request was declined by the Scheme.

The Working Group considered the various arguments for and against changing the LINK access rules,¹⁰ but no agreement was reached by the Working Group. Members

⁸ <http://www.oft.gov.uk/news/press/2006/69-06>

⁹ Although many Post Office Ltd branches contain ATMs, they are operated by third parties, not Post Office Ltd.

¹⁰ See Annex C of the *LINK Access and Governance Working Group Report*.

of the LINK ATM Scheme on the Working Group, and the LINK Scheme Executive, considered that the Scheme rules could not be amended to allow over-the-counter cash acquisition in a way that would satisfy the Post Office, while Post Office Ltd maintained that the Rules should be amended. All parties supported, however, the principle of an alternative suggestion to develop standard terms and conditions and some scheme infrastructure for a separate service offering cash withdrawals over Post Office counters. Card-issuer participation in this would be voluntary. The Working Group also recommended that the LINK Consumer Committee consider the issue.

Free-of-charge cash withdrawals at Post Office counters

Independent members of the Consumer Committee noted that some consumers could benefit from the ability to withdraw cash over Post Office counters. These Committee members therefore encouraged LINK card issuers to consider participation in the service while noting that this was ultimately a commercial decision for individual card issuers given that card-issuing banks had to pay the Post Office for the service.

The Committee noted that there were Post Office branches in just under one third of the areas identified as part of the financial inclusion work as being without convenient access to a free-to-use cash machine. A number of LINK card issuers – including Alliance & Leicester, Bank of Ireland, Barclays, Clydesdale, The Co-operative Bank, Lloyds TSB, Nationwide Building Society, as well as cahoot, Smile, First Direct and National Savings and Investments – already allowed their cardholders to make free-of-charge cash withdrawals over Post Office counters.

In addition, all banks and building societies offering basic bank accounts allowed some or all of their basic bank account holders free-of-charge cash withdrawals over Post Office counters. All new basic bank accounts included the service. Some older basic bank accounts, as well as other accounts offered by banks and building societies not listed above did not offer the service. In total around 40% of bank and building society customers with LINK-enabled cards were able to withdraw cash, free of charge, over Post Office counters, as were around 37% of basic bank account holders, and 100% of basic bank accounts opened since April 2003.

The Committee recognised that the major card issuers who did not allow all their cardholders to make cash withdrawals over Post Office counters were actively pursuing other strategies for increasing access to free-of-charge cash withdrawals. HBOS, HSBC and RBS had been working to deploy their own free-to-use ATMs in the areas identified by the ATM Working Group. Moreover, several thousand Post Office branches were themselves due to receive free-to-use ATMs as part of Post Office Ltd work with the Bank of Ireland, thereby offering LINK cardholders an alternative to the counter service in the same Post Office Ltd premises.

The Committee welcomed the work done by the LINK Scheme Executive and Post Office Ltd since the publication of the LINK Access and Governance Working Group to create legal and contractual structures that would make it as simple as possible for LINK card issuers to participate in the Post Office service (using existing LINK infrastructure and developing standard terms and conditions for participation, as suggested by the Working Group). The Committee encouraged Post Office Ltd to enter into discussions with LINK card issuers on these new contracts. On behalf of the

Consumer Committee, its Chairman Ken Andrew had written to Post Office Ltd encouraging them to present their proposals to LINK card issuers following a meeting of the LINK Scheme's Network Members Council.

The Committee also welcomed the decision by the Department for Work and Pensions that the successor to the Post Office Card Account (POCA) should include ATM access for POCA cardholders. Particularly given the extension of the free-to-use ATM network into lower-income areas this could assist financial inclusion and access to cash for lower-income consumers even as some Post Office branches were closed.

Foreign-currency dispensing cash machines

In December 2006, the LINK ATM Scheme agreed rules permitting cash machines dispensing euro and other foreign currencies to connect to the LINK Network. The Committee discussed the rules around transparency of information shown to the cardholder in such transactions. Drawing on the lessons from transparency of charges at sterling cash machines, rules were agreed that require customers to be given clear on-screen and on-receipt information on exchange rates, clear on-screen and on-receipt and external notices about any commission charged, and also require customers to be asked to confirm acceptance of all the charges before completing the transaction.

The first LINK euro cash machines were deployed in 2006 in a number of Tesco stores, while RBS began a deployment of euro cash machines at selected branches in 2007. A minority of LINK cardholders will not be able to use the new service until technical changes are implemented across the LINK network with a due date of September 2007. From this date, all card issuers are due to allow their sterling account holders to access the new service and a wider roll-out of foreign-currency dispensing cash machines is expected.

Independent members of the Committee welcomed the development of this new service, and supported the proposed rules on transparency. They noted that the transparency standard achieved by the LINK rules would give cardholders considerably more information than they would receive if withdrawing foreign currency from a cash machine abroad that was not connected to the LINK network. When using a cash machine abroad, the cardholder generally had no information given to him or her at the time of the transaction on the exchange rate used or charges levied. UK card issuers did, however, provide upfront information on fees to their customers in account terms and conditions.

Innovation

In addition to the changes to the interchange regime designed to support financial inclusion by sustaining free-to-use cash machines in some lower income areas, and the introduction of rules for foreign currency dispense at cash machines, the Committee considered other areas of innovation by the LINK ATM Scheme.

Initial discussions covered;

- encouraging more cards into the Scheme, including the successor to the Post Office Card Account, pre-paid cards and cards issued by smaller financial institutions not currently members of the LINK ATM Scheme;
- increasing the range of transaction types that can be performed at cash machines to include more non-cash transactions;¹¹
- using connections with overseas card schemes to improve foreign cardholders' access to the UK ATM network, improve UK cardholders access to overseas networks, or improve UK cardholders' ability to access balance enquiry or mobile phone top up functionality while overseas;
- enhancing fraud detection capability.

These and other possible innovations are expected to be an important theme of the Committee's work in 2007/2008. Independent members of the Committee thought there might be potential for some additional transaction types at cash machines, but noted that consumers' main demand from cash machines was likely to remain quick and easy access to cash. Cardholders wanted to minimise their own waiting time, and were uncomfortable using a cash machine when there was a queue behind them.

Consumer groups on the Committee also noted that access to cash from ATMs for pre-paid card holders, or the top-up of pre-paid card balances at ATMs could help "unbanked" individuals. Bringing the Post Office Card Account or cards issued by credit unions into the Scheme could also contribute to financial inclusion, especially given the extension of the free-to-use cash machine network that was taking place. In terms of bringing smaller card issuers into the Scheme, the Co-operative Bank had developed a service offering LINK access to credit unions as part of a wider package of technical and operational support for transactional banking. The service had been developed with the Association of British Credit Unions and, after a few months of operation, had around a dozen credit unions involved, with several thousand accounts.

Overall assessment by the Committee of the LINK ATM Scheme's performance against consumer-interest objectives¹²

Committee members considered that the LINK ATM Scheme had sought to listen to and take account of the interests of cardholders in its work over 2006/2007.

Measures further to improve transparency of charging at cash machines had been adopted after extensive consultation with the consumer groups, consideration of survey evidence and taking into account complaints received directly by LINK from

¹¹ Following the example of mobile phone top up which had become a successful service at many cash machines, the Scheme and Consumer Committee were considering whether there might be demand to top up pre-paid cards, Oyster cards, or to pay certain charges or bills at cash machines, for example, the London congestion charge.

¹² The consumer-interest objectives of the LINK ATM Scheme are set out on pages 5 and 6.

cardholders. Implementation of these improvements was underway across all cash machine operators and would need to be completed in the remainder of 2007.¹³

Universal acceptance of cards in cash machines in the UK had been maintained, including through an agreement in June 2006 on the methodology for setting multilateral interchange rates (the standard price paid by card issuers to ATM operators for each transaction). The number of both free-to-use and pay-to-use cash machines had increased over the year to end-June 2007, with new machines of both types contributing to a significant expansion of the network and improvement in access to cash in many areas of the UK. Together with the targeted effort to install free-to-use machines in lower-income communities that did not previously have them, additional availability of ATMs of both types had contributed to a real increase in convenience and choice for the consumer.

The LINK ATM Scheme and its members had also continued their efforts to maintain the integrity of the ATM network. A very high level of operational availability had been maintained throughout the year, and the Committee was not aware of any concerns about reliability.

¹³ In the case of some older ATMs at which it had not initially been thought possible to upgrade screen notices, but for which a technical solution had subsequently been found, waivers extending beyond the end of 2007 are likely to be granted providing that plans to bring the relevant ATMs into compliance exist.

PRIORITIES FOR THE COMMITTEE IN 2007 / 2008

Building on the foundations laid in 2006 / 2007, the Committee envisages that its priority areas of work in 2007 / 2008 will include at least four main strands.

1. *Monitoring progress on widening access to free-of-charge cash withdrawals in lower-income areas*

The financial inclusion premium introduced into LINK rules at the end of 2006, together with work by a number of LINK Scheme members to find sites for new free-to-use cash machines in the target areas identified, is bringing convenient access to free-to-use cash machines to hundreds of communities currently without such access. The Committee intends to continue to monitor the success of the initiative in expanding access to free-of-charge cash withdrawals to areas where it has not existed before, and in sustaining the 'last free ATM in town' in some locations where loss of the cash machine might have particularly severe impact. The Committee will be able to assess experience gained through the initiative on the feasibility of deploying cash machines in the target areas, and the issues encountered in terms of site availability, planning permission, security and commercial viability.

2. *Monitoring the implementation and enforcement of new signage rules*

The roll-out of new on-screen and external charging notices is due to be complete by end-2007.¹⁴ The Committee will seek satisfaction that implementation has been completed, and that the new rules are being applied across the LINK network.

3. *Innovation*

The Committee will work to provide advice to the LINK ATM Scheme and its members on how innovation can add value to consumers and promote consumer-interest objectives.

4. *Fraud risk*

As concern about transparency of charges has subsided with enhancements to LINK rules on cash machine signage, the risk of fraud at cash machines, principally the capture of card details and cloning of cards, has risen up the list of consumer concerns. The number of incidents of such fraud is very small compared with the number of cash machines and the number of cash machine transactions, but greater awareness of the risk and the level of risk could benefit cardholders. The Committee will provide advice to the LINK ATM Scheme on how consumer awareness and understanding of risks can best be increased without causing unwarranted alarm.

¹⁴ Except for some older machines at which it had initially not been thought possible to improve screen signage, and for which a software fix has subsequently been developed but is unlikely to be rolled out until after the end of 2007.

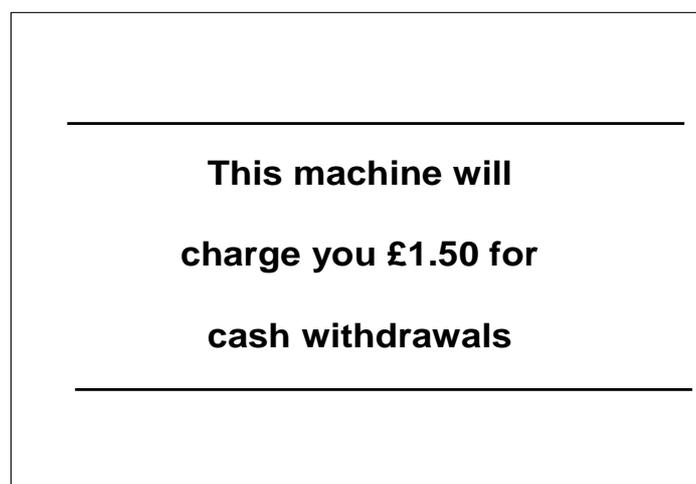
Annex 1: Examples of new on-screen and ATM casing signage

Casing signage



Note: these signs are smaller than they would appear in reality. The minimum font size is 24, and the text must be in bold.

On-screen signage



For small screens (width less than 170mm) the minimum font size is 18 and the message should fill 70% of the screen unless technical constraints prevent this.

For medium screens (width between 170mm and 200mm), the minimum font size is 26, and the message should fill 60% of the screen unless technical constraints prevent this.

For large screens (width above 200mm), the minimum font size is 32. 50% of the screen should be covered.

For all screens, sentence case should be used where possible. The default is that the notice should be centre-justified but the top of the screen may be used if preferred.

Annex 2: 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 the 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 the 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 the cash machine

If a cardholder considers that signage on the machine is missing, inaccurate, misleading or that it may not satisfy LINK's rules¹⁵ they should contact the cash machine operator. 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:

http://www.link.co.uk/atm/mn_member_websites.html.

In addition cardholders may report signage issues directly to LINK through the LINK website by completing the short reporting form at:

<http://www.link.co.uk/cabreport/Questionnaire.php>

or via the Contact-Us section of the LINK website at:

http://www.link.co.uk/contact/mn_contact.html,

or by telephone on:

01423 356205.

Suspicious devices attached to the 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 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. They should not try and remove any devices attached to the machine.

¹⁵ LINK rules require notification of any charges that the cash machine operator may apply to the transaction on both the casing of the machine and on the screen of the machine before the transaction starts. The rules also require that the cash machine operator asks the customer to confirm acceptance of the specific charge before completing the transaction.

LINK foreign-currency cash machines

Where a cardholder purchases foreign currency through a LINK cash machine, any queries over the amount of currency dispensed, the exchange rate applied, or any commission charged should be directed to the cash machine operator whose details will be displayed on the machine.

The cardholder will be asked to confirm acceptance of the sterling amount debited from their account before completing the transaction, and this will also be recorded on the receipt provided to the cardholder. If the cardholder believes that the amount confirmed and accepted differs from the amount actually debited, they should contact their card issuer.

LINK Consumer Committee

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

The Committee is not responsible for individual cardholder complaints. These should be addressed to the relevant card issuer, cash machine operator or LINK ATM Scheme as set out above. The Committee 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 Committee by contacting the LINK Scheme Executive through the LINK website at:

http://www.link.co.uk/contact/mn_contact.html

or by telephone at 01423 356205.