

# **LINK Policy on Protected ATMs**

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## 1. Policy Overview & Objectives

LINK is committed to maintaining free access to cash in the UK. The LINK Financial Inclusion Programme, in operation since 2006, has led to the introduction of free ATM access to over 1,800 deprived areas in the UK. The Programme has operated by paying a premium on top of the normal cash withdrawal interchange rate to ATM Operators in these locations. In January 2018, LINK announced that the maximum premium payable to ATMs that are part of the Financial Inclusion Programme would be tripled.

As part of the reforms to the Interchange mechanism announced by LINK on 31<sup>st</sup> January 2018, LINK also announced two further measures to ensure the maintenance of a satisfactory geographical network of free-to-use ATMs -

- In December 2017 LINK announced that interchange fees on any free-to-use ATM 1km or more from the next free-to-use ATM would not be reduced ensuring that no ATMs in this category (defined as Protected ATMs) would close because of the reduction in interchange fees announced in January 2018.
- A general commitment to maintain an extensive footprint of free-to-use ATMs, maintaining the existing geographical coverage at the time of the interchange announcement 2018, involving a series of measures including Protected ATM Premiums.

This policy defines LINK's approach on Protected ATMs, one of the important measures LINK is taking in order to maintain free access to cash and addresses the requirements set by the Payment Systems Regulator in Specific Direction 8 issued on 19<sup>th</sup> October 2018. It does not set out LINK's specific policy on Financial Inclusion in deprived areas.

## 2. Key Definitions

**ATM Operator** means any LINK Member that operates an ATM connected to the LINK Network. ATM Operators can themselves be issuers, or they may be Independent ATM Deployers (IADs).

**Lost ATM** means any Protected ATM which has ceased to operate (other than where LINK has obtained confirmation that this is on a temporary basis), or any Protected ATM which switches to charging for withdrawals of cash on a part time or full-time basis, or any Protected ATM known to LINK to be scheduled to close within the next 12 weeks.

**Member** means any current Member of the LINK Scheme. Not all Members are ATM Operators as some only issue cards and do not operate ATMs.

**Protected ATM** means any free-to-use ATM that is located 1km or more "as the crow flies" from the next free-to-use ATM. Any ATM meeting this criterion on 1<sup>st</sup> February 2018 is given Protected status. In addition to this, any free-to-use ATM that existed on 1<sup>st</sup> February 2018 and did not meet Protected status at that time but no longer has a free-to-use ATM within 1km will be added to the Protected ATM list. Updates to the Protected ATM list will be made on a monthly basis with effect from November 2018.

While ATM Operators are reminded of the need to ensure the location information they provide to LINK is correct, if it is discovered that an ATM has been defined as Protected

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or Not Protected in error (for example due to an incorrect address) then that ATM is added or removed from the list of Protected ATMs and the ATM Operator is notified. The correct level of interchange is applied from that point onwards but historic corrections are not made.

**Protected ATM Premium** means a premium paid above the Protected Rate of Interchange on cash withdrawal transactions only to provide a commercial incentive to ATM Operators to maintain an existing Protected ATM or replace a Protected ATM that has permanently closed or switched to pay to use.

**Protected Rate of Interchange** means the rate of Interchange for both cash and non-cash transactions that is paid to Protected ATMs.

### **3. Application of the Protected ATM Policy**

Where a Protected ATM is lost, LINK is committed to replacing that ATM (subject to it not falling within the criteria outlined in section 4 which details circumstances in which an ATM will not be replaced.). This section sets out some practical considerations in respect of how the policy is applied.

#### **3.1 Dynamic Protection of ATMs**

LINK's initial list of Protected ATMs was compiled as at 1 February 2018, with any ATMs meeting the above definition on that date being given Protected status. However, LINK recognises that circumstances change and that as existing free-to-use ATMs close or change from free-to use to pay-to-use, new ATMs will fall under the above definition and therefore qualify for Protected ATM status.

Any ATM which fell into the category of Protected ATM and appeared on the original list of Protected ATMs will continue to be treated as Protected (unless it was originally identified as a Protected ATM in error as described in section 2), regardless of whether circumstances change such that it no longer meets the criteria. This is because there is considerable change in the status of some ATMs over time and ATM Operators would be unable to respond to the incentives of premiums if these could be withdrawn unpredictably. It is not expected that the number of ATMs in this category will be high. In addition, any ATMs which through changing circumstances now meet the definition, are added to the list of Protected ATMs and qualify for Protected status so long as a free-to-use ATM existed in that location in February 2018.

LINK maintains a database of ATMs. All ATMs in the LINK database are geocoded with Longitude and Latitude data (under licence from an external provider) which is more precise at plotting locations than post codes and allows LINK to determine more accurately whether any given ATM qualifies for Protected status.

Each month LINK determines which machines are active (defined as having conducted a cash withdrawal transaction in the previous month) and using the location data runs a report that provides information on the number of Protected ATMs no longer transacting.

When it appears that a new ATM comes into the Protected category because its nearby ATM is no longer transacting, LINK checks with the ATM Operator whether the ATM that is no longer transacting has closed permanently or temporarily. If the ATM Operator informs LINK that the closure is permanent, the remaining ATM becomes a Protected ATM and will begin to receive the Protected Rate of Interchange from the following month.

Monthly, or as otherwise requested by the Payment Systems Regulator, LINK produces and publishes a "Footprint Report" that contains, amongst other data, information on the total number of Protected ATMs, how this has changed since the previous report, and the actions LINK is taking to secure their replacement or continued operation.

#### **3.2 Applying the 1 km Rule Flexibly**

The 1km criterion used to identify a Protected ATM was originally established as part of the Financial Inclusion Programme developed by LINK's Consumer Council, comprising both representatives of Members of LINK and independent representatives of consumer

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organisations. It was felt to be a reasonable distance and has been used consistently since 2006. The criterion is well understood and generally accepted by ATM Operators and consumer organisations.

LINK uses “as the crow flies” as a consistent, robust and reliable means of measuring the distance between ATMs. However, it is acknowledged that in certain circumstances “as the crow flies” doesn’t accurately reflect local circumstances, for example where there is a barrier (including a road, river, railway line or area that has restricted access by the public) that has a significant adverse impact on a community’s ability to access cash.

In such circumstances and when brought to LINK’s attention by a community or a community representative, LINK investigates each case individually, assessing the specific situation on the ground, with input from local community representatives (for example, MPs or local councillors) being the most important factor in understanding the situation and how to respond to it. LINK considers that communities and their representatives are best placed to understand the unique circumstances in their areas, hence it is appropriate to rely on them to bring these matters to its attention for investigation.

Following an investigation by LINK during which location specific factors such as roads, rivers and railways lines without crossings are considered, where there is a significant adverse impact on a community’s ability to access cash, the 1km “as the crow flies” rule is applied flexibly. This may then result in a closed (or scheduled to close) free-to-use ATM where there is another free-to-use ATM within less than 1km “as the crow flies” being replaced (retained) and supported by interchange premiums. Where the local circumstances are complex, LINK takes advice from its independent Consumer Council to find a resolution.

This is implemented by promoting a feedback mechanism via the LINK website through which communities and their representatives can contact LINK to request that an area is investigated with a view to applying the 1km rule flexibly. LINK keeps a record of each application, including the decision made and the rationale, to ensure consistency in decisions. These records are shared regularly with the Consumer Council.

#### **4. Circumstances in which LINK won't Replace a Protected ATM**

There are certain circumstances in which LINK does not seek to replace a Protected ATM, as outlined below.

##### **4.1 Alternative Free Access to Cash - Post Offices & Non-LINK ATMs**

There are over 11,600 Post Offices in the UK, often in the heart of communities, which are a vital part of local infrastructure providing a comprehensive range of services, including financial services. In 2017, Post Office branches handled over 110 million transactions for bank customers.

Cash can be obtained via a non-LINK transaction at any Post Office counter. Cardholders of issuers are entitled to undertake the two main ATM transactions of cash withdrawal and balance enquiry at Post Office counters free of charge. This transaction utilises the same Chip and PIN method of authentication used at ATMs.

When a Protected ATM ceases to operate, or LINK is notified by an ATM Operator that a Protected ATM is closing in the next 12 weeks, or has switched to charging for the withdrawal of cash on a full or part time basis, LINK uses the online Post Office locator tool at <https://www.royalmail.com/branch-finder> manually to determine if there is a Post Office (mobile Post Offices excluded) within 1km of the Protected ATM. If there is, and the location is open a minimum of 5 days per week, it is classed as an adequate substitute for a closed Protected ATM.

LINK therefore considers that the Post Office, subject to the criteria outlined above, is a reasonable substitute for an ATM and that it could be inefficient for LINK to incentivise cash withdrawal services in these areas.

LINK is aware that there are some free-to-use ATMs that are not part of the LINK network. LINK is also aware that almost all cards currently accepted at LINK ATMs are also accepted at non-LINK ATMs. Therefore, when LINK becomes aware that there is a non-LINK ATM where the ATM Operator does not charge the user a fee, then the closed LINK Protected ATM is not targeted for replacement.

##### **4.2 No Public Access**

Some of the ATMs identified as Protected are situated in private premises that are not accessible to the general public. Other than a person who is entitled to be in those premises, no other people may have the right to enter to use the ATM or will be charged a fee to enter the premises to use that ATM. Most commonly, such premises are large offices, with the owner or occupier considering that it is providing a service to those working at the office by providing the facility. Other examples are military premises and locations where the general public needs to pay a fee to enter or sites such a private club.

LINK is committed to maintaining free access to cash for the general public. When an ATM closes that is in a restricted area such as army barracks, workplace offices or private clubs and there is little or no impact on the general public, LINK considers it inappropriate to subsidise a replacement ATM. In these circumstances, the employer or owner of the premises can reinstall a free-to-use ATM at any time through normal commercial arrangements with any ATM Operator.

When LINK becomes aware that a Protected ATM has ceased to operate, is known to be closing in the next 12 weeks or has switched to charging for the withdrawal of cash on a full or part time basis, it firstly checks for Post Offices and if the location does not have access to a Post Office it checks for No Public Access.

The location is then viewed on Google Maps and Street View to determine the type of location the ATM is located at. If the Protected ATM is accessible or the building itself appears to be inaccessible but it can be clearly determined that the ATM is externally facing and therefore accessible by the public, it falls into the targeted for replacement category. Otherwise the ATM is deemed as having “No Public Access” and is not replaced.

#### **4.3 Security Concerns Exist**

LINK considers the safety of ATM users and retail staff and the security of the ATM and the hosting retailer to be of paramount importance.

If a Protected ATM closes because of a security reason such as an actual or attempted raid, robbery or other criminal activity which has caused either one or both the retailer and ATM Operator to judge replacement of the ATM in that location to be unsafe, and there are no other potential site hosts nearby, LINK does not pursue a replacement until that risk assessment improves, such that it is felt a replacement ATM can be deployed safely.

In some cases, mitigating actions can be taken to reduce the risk of replacing the ATM such as improving security lighting, CCTV or installing bollards. In these cases, replacement of the ATM might be delayed while these enabling works are planned and carried out. In other cases, there might not be a mitigating action that can be taken that reduces the residual risk to a level where it becomes acceptable to the retailer and/or ATM deployer or their insurers.

LINK reviews these sites annually, and more frequently on an ad hoc basis if LINK is notified of changes to circumstances locally which are likely to have improved the security assessment, by contacting the most recent ATM deployer for that location and requesting an update on its security assessment.

## **5. LINK's Approach to Replacing Protected ATMs**

Where a Protected ATM has been lost, LINK takes a series of practical steps to replace the lost ATM. However, before considering these steps, it is helpful to consider the market context, as this has a practical bearing on the action LINK can take.

### **5.1 Market Context**

LINK operates within a complex and rapidly changing marketplace, therefore maintaining the network of Protected ATMs is not a straightforward matter.

LINK was established to enable payment cards issued by a bank, building society or other card issuer to be used in a nationwide network of ATMs operated by both card issuers and ATM Operators. LINK provides a switching and settlement service between the card issuers and the ATM Operators. It has comprehensive policies, procedures and systems to manage the Network. However, it does not own or operate any ATMs and currently has neither the powers nor the expertise to do so. LINK is therefore reliant on actions taken by ATM Operators to maintain the geographical coverage of ATMs.

The LINK system has not been designed to give accurate information on the precise location of ATMs or when they start or cease operating as this information is not necessary for the smooth operation of the LINK Network. To-date, LINK has obtained the location information needed through a number of manual, resource-intensive workarounds. Whilst effective, these take time and resource to run.

The ATM market is dynamic with ATMs opening and closing at the rate of hundreds each month. This happens partly in response to changing demand. For example, the completion of a new shopping centre, business park or office complex will create substantial new footfall and ATM Operators will react quickly by installing ATMs. Conversely, if a shopping centre is in the process of being redeveloped or reduced in size such that footfall is reduced then ATM Operators may decide to remove some of their ATMs. Some remote ATMs are in convenience stores or petrol stations. From time-to-time these change hands or are refitted and an ATM can be taken out of operation for a period of months while this occurs. ATM deployers have contracts both with individual retailers and with groups of retailers to install and maintain ATMs in their premises. This involves a direct initial negotiation and then a renegotiation at the end of the rent period, typically between three and five years. The parties are not always able to reach agreement, in which case ATMs may be closed at short notice and some retailers may go on to negotiate a different contract with another ATM deployer.

ATMs can either be free-standing within premises or through-the-wall to the outside of a building. If there is no satisfactory location available due to space, planning, security or no willing retailer to house one then it is not possible to have an ATM.

### **5.2 LINK's Approach to ATM Replacement**

When it has been identified that a Protected ATM has permanently closed, switched to charging for the withdrawal of cash or is scheduled to close, LINK takes the following steps:

#### **5.2.1 Offer of Financial Incentives – Protected ATM Scheduled to Close**

Where an ATM Operator has confirmed to LINK that a Protected ATM is scheduled to close, commercial incentives might be offered to encourage the continued operation of an ATM in that location. If the ATM has not yet permanently closed and through discussions with the ATM Operator, economic viability is identified to be the cause of closure, LINK might offer a Protected ATM Premium on a per cash withdrawal basis to supplement the existing Protected Rate of Interchange. The size of this premium will depend on the average volume of cash withdrawals at that ATM for the preceding three months. The current premiums are detailed in the table below.

Cash withdrawals per month	Protected ATM Premium per cash withdrawal
1-1500	30p
1501-3000	20p
3001-4500	10p
4501+	0p

Wherever possible, LINK tries to prevent closure as this is the least disruptive option for the community affected and is also generally most cost effective. LINK requests that Members provide advance notice of the closure of Protected ATMs, whenever circumstances relating to the closure make it is possible for the Member to do so.

LINK maintains a record of instances where a Member has provided notice of the closure of an ATM, the reason given for the closure and, if a Protected ATM, the premium that was offered to try to prevent closure and a record of whether this was accepted by the ATM Operator.

**5.2.2 Offer of Financial Incentives – Protected ATM has Closed**

If, despite an offer of a Protected ATM Premium, the ATM closes or switches to charging for withdrawals, or in circumstances where notice of closure was not received by LINK and so the offer of premiums was not made, LINK simultaneously offers the same Protected ATM Premium incentive to all its Members to replace that ATM.

Each month, LINK writes to all Members with a list of Protected ATMs that it is seeking to replace. This list is formed after the filters detailed above (Post Office, no public access and security) have been applied. The Protected Rate of Interchange plus any Protected ATM premium applicable is offered. This is in line with the table under 5.2.1 and premiums are based on the average of the last three full months’ transactions of the ATM before it was removed or switched to charging.

The first Member to respond with a positive expression of interest enters a two-month exclusive period during which it has the sole right to Protected ATM Premiums if it installs a free ATM within 1km of the previous site. Regular progress updates are sought from the Member (approximately every two weeks) during these two months and LINK expects to see progress towards finding a location, agreeing a contract with a site host and progressing installation. It is recognised that for reasons outside of LINK’s and the Member’s control, such as planning permissions or BT communications lead times, the ATM might not be operational within two months. In most cases it is expected that the ATM would be operational within six months of a Member responding with a positive expression of interest.

Should another ATM Operator install a free-to-use ATM in the same area during this intervening period, that ATM is not eligible for Protected ATM Premiums, but LINK does

still honour its commitment to the Member that has exclusivity if that Member goes on to install an ATM.

### **5.2.3 Offer of Financial Incentives Unsuccessful – Direct Commissioning**

If it becomes apparent that the offer of the Protected ATM Premiums is not effective in incentivising ATM Operators to install or retain a Protected ATM, LINK operates a clearly developed mitigation plan as an alternative to Protected ATM Premiums. LINK therefore attempts to directly commission a replacement ATM from a LINK ATM Operator. This is only progressed when either:

- i) No ATM Operator has expressed an interest in LINK's interchange premiums after two months; or
- ii) After expressing an interest and after two months, insufficient progress has been made by the prospective ATM Operator towards an installation.

All Members are written to periodically with a list of locations where ATMs are needed and invited to bid for a contract to install and operate them on a site by site basis. To ensure openness and fairness, all Members, including those that are not currently ATM Operators, receive this communication from LINK, although they are not compelled to respond.

Members that are interested in an opportunity can reply to LINK with a bid to install and operate an ATM or group of ATMs for a set period, likely to be five years. This bid is the sum payable by LINK to the Member to install and operate an ATM although interchange continues to be paid in addition on a per transaction basis. At LINK's discretion, providing the bid meets the required standards, the Member supplying the best value bid is awarded the contract. Basic standards and specifications for the installation are provided to all Members to ensure consistency in scope, functionality and quality, meaning that price is expected to be the main determining factor. Given that the primary objective is to provide a community with free access to cash, detailed ATM type and specification is not considered relevant so long as the ATM is fully compliant with all applicable standards and is able to complete a cash withdrawal and balance enquiry transaction. The detailed obligations of the Member are included in the Direct Commissioning contract documents. LINK reserves the right to modify the details of this approach to deliver the best outcome for consumers and the optimal commercial solution for LINK.

Direct commissioning of ATMs is funded by the card issuing Members of LINK.

Once LINK has accepted a bid from a Member in relation to a specific site then that Member is expected to install the ATM (acting as an ATM Operator) as soon as practically possible. LINK recognises that a number of activities must be completed before an installation such as a site survey, security assessment and potential security upgrades such as lighting or CCTV, potential planning permission and ordering of a comms line, and that these actions may take some time. In these circumstances, the installing Member is required to provide regular progress reports (usually fortnightly) to LINK. We expect the majority of directly commissioned ATMs to be live within six months from LINK accepting a bid.

ATMs deployed through direct commissioning are not owned or operated by LINK and LINK is not involved in any contract between the ATM Operator and its retailer hosts or suppliers. The ATM Operator must:

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- i) Provide an ATM that is fully compliant with the standards set by LINK;
- ii) Ensure that the ATM provides a consistently high level of service availability for users; and
- iii) Submit a monthly performance report to LINK for each directly commissioned ATM. Full details of direct commissioning, standards and obligations are set out in the contract between LINK and the ATM Operator.

#### **5.2.4 Direct Commissioning – No Host Site**

If there is no willing site owner that is acceptable to any participating ATM Operator to host an ATM, despite LINK offering funding via a direct commissioning approach, then a final assessment is undertaken by LINK to understand if there is an access to cash issue within the community caused by the loss of the Protected ATM, and if so, what other options may be available to provide support. This may result in a decision by LINK not to replace the Protected ATM if there is no viable way of doing so.