

# HM Treasury Access to Cash Consultation

LINK's response to HM Treasury's Access to Cash Consultation published in July 2021

20th September 2021

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Classification: Public

## Introduction

1. In the Budget in March 2020 the Government announced that it would bring forward legislation to protect access to cash. Following this, in July 2021, HM Treasury issued a Consultation on proposals for this legislation. Responses to the Consultation will assist the Government in informing the development of its legislation to protect access to cash and ensure that the UK's cash infrastructure is sustainable in the long-term.
2. Link Scheme Holdings Ltd (LINK) manages the UK's main cash dispenser (ATM) network and is central to the operation of the UK's cash infrastructure.
3. LINK's network connects the vast majority of ATMs (both free and charging) in the country and allows customers of banks and building societies (card issuers) that are LINK Members to make cash withdrawals and balance enquiries with their payment card at almost all ATMs. All major card issuers and ATM operators currently choose to become Members of LINK. This helps to ensure that consumers in the UK have the choice of using cash should they wish to.
4. The LINK network is based on a highly resilient real-time high-volume infrastructure, currently supplied by Vocalink. LINK is the operator of the network and the systemic risk manager.
5. LINK is regulated by the Payment Systems Regulator (PSR) and by the Bank of England as a systemically important payment system.
6. Cash is in long term decline in the UK. Since the Government announced its intention to legislate in March 2020, that trend has accelerated as a result of COVID-19. Until legislation is introduced, there are no obligations that give consumers the right to access cash (free or otherwise). LINK has therefore chosen to set itself the objective of ensuring that communities throughout the UK have satisfactory free access to cash while policymakers consider a longer-term strategy.
7. LINK works closely with the members of the Joint Authorities Cash Strategy (JACS) Group which is the Government's vehicle for developing a longer-term strategy.
8. LINK is also working with the industry Access to Cash Action Group (CAG) to develop industry-led solutions while legislation is pending.

9. Part of LINK's objective is to support the orderly transition of the UK from cash to digital payments. Hence, LINK is active in supporting digital transition and has a broad interest in the successful development of an inclusive digital payments approach while ensuring access to cash remains available for consumers who remain reliant on cash.

### **Executive Summary**

LINK has produced detailed responses to the questions set out in the Consultation but in summary, LINK's views are that:

10. Geographic requirements should be based on where cash is spent, not where people live.
11. Targets for access to cash should be set flexibly and be based on what is working today.
12. While the FCA should be the lead regulator, the PSR will be key to supervising the payment systems that designated firms choose to work with to deliver their obligations. This already includes LINK.
13. As well as meeting coverage requirements, there should also be requirements relating to the overall resilience of arrangements put in place by designated firms. In particular, given the consolidation underway in the cash market, arrangements such as the ATM Provider of Last Resort (POLR) recommended by the PSR/FCA Roundtable should be encouraged as desirable to sustain resilience.
14. The legislation should be drafted in a manner that will assist firms such as LINK in their assessment of their compliance with applicable competition law.
15. Given the extensive data gathering requirements proposed, regulators should be given a duty to demonstrate that their data requests are proportionate and how the information requested will assist in meeting their regulatory duties.
16. Time is of the essence. The industry should be encouraged by the FCA and PSR to put in place voluntary arrangements pending regulation to prevent further deterioration of the existing cash system. These arrangements should be designed to be long term and capable of supporting the legislative requirements once they come into effect.

**Question 1: Do you agree that legislation should provide the government with powers to set geographic requirements to ensure the provision of withdrawal and deposit facilities to meet cash needs through time?**

17. Yes. LINK's view is that for cash to be viable as an inclusive national payment mechanism, broad geographic access for withdrawals and deposits is required.
18. Given the ongoing rapid reduction in cash usage as a means of payment, any geographic requirements need to be variable over time. This will ensure that a sustainable model can be maintained as cash usage continues to reduce.

**Question 2: Do you agree that legislative geographic requirements should target maximum simplicity?**

19. Yes, but the basis of the geographic requirements should be on where cash is spent rather than where people live. For example, free access to cash is already effectively provided within 1km of all high streets. A similar analysis based on where people live would only give 89% access.
20. Changing to a population-based model would therefore require significant investment to increase provision in some rural areas or, if the population-based requirement is viewed as a minimum target to aim for, increased risk of the loss of extensive facilities in urban areas.
21. LINK notes that there is a mixed model in place today where LINK targets access to cash provision where cash is spent and the Post Office uses where people live for its cash access and broader deposit services. This should continue to be used. This mixed model also allows for different geographic requirements to be set for withdrawals and deposits should that be necessary.

**Question 3: Do you agree that geographic requirements should initially be set to provide a level of reasonable access to all areas, reflecting the current distribution of cash access facilities?**

22. Yes. LINK's believes that the suggestion set out in response to Question 2 above achieves this.

**Question 4: Do you agree it is necessary to allow for requirements in Northern Ireland and Great Britain separately?**

23. LINK does not see a benefit in setting different requirements for access to cash in different parts of the UK and is not aware of any evidence that suggest that this is needed. A different requirement for Northern Ireland could also generate requests from other parts of the UK for tailored standards which would undermine consistency and the value of cash as an inclusive national payment mechanism.
24. However, LINK is capable of supporting different requirements for different regions should this be necessary.
25. LINK's view set out above is purely in relation to access to cash and LINK has no view on the suitability of this proposal for deposits.

**Question 5: Do you think that requirements in Northern Ireland and Great Britain should be set at a consistent level?**

26. Yes. This is set out in LINK's response to question 4 above.

**Question 6: Do you agree that requirements should be targeted at the largest payment account providers?**

27. LINK believes that HM Treasury should consider factors such as market share and the nature of the customer base of each provider so that new digital only banks choosing not to offer extensive cash support are not drawn into scope.

**Question 7: Are there other factors beyond those listed that the government should take into consideration when designating firms?**

28. No.

**Question 8: Do you agree that the FCA should be the lead regulator for monitoring and enforcing requirements on access to cash?**

29. LINK agrees that the FCA should be the lead regulator responsible for setting requirements and monitoring the compliance of designated firms against those requirements. However, as the designated firms may wish to engage with joint arrangements such as those provided by LINK (and the Post Office via the Banking Framework), the PSR should also be involved given that it already regulates designated payment systems such as LINK.

30. Assuming that the Post Office Counter Service is part of the proposed approach by designated firms to meet their obligations, consideration should be given to appropriate oversight of the Post Office Counter Service. It may be helpful to ensure a consistent ability to regulate organisations that are key to access to cash from the perspective of end user (in this case consumer) benefits.

31. It will be helpful for the legislation to note the likelihood that designated firms will need to make arrangements with organisations such as LINK to meet their obligations in the most sustainable and effective way for consumers. This should be drafted in a manner that will assist payment systems such as LINK in their assessment of their compliance with applicable competition law.

32. As well as meeting coverage requirements, there should also be requirements on the overall resilience of arrangements put in place by designated firms. In particular, given the consolidation underway in the cash market, arrangements such as the ATM Provider of Last Resort recommended by the PSR/FCA Roundtable should be encouraged as desirable to sustain resilience. The legislation should be drafted in a manner that will assist firms such as LINK in their assessment of their compliance with applicable competition law.

33. Given the extensive data gathering requirements proposed, regulators should have a statutory requirement to demonstrate that their data requests are proportionate and how the information requested will assist in meeting their regulatory duties and to consult on those requirements.

**Question 9: Do you agree with giving the FCA discretion on additional requirements for qualifying cash facilities?**

34. Yes. Given the rate of change in consumers' usage of cash, LINK believes that this flexibility will be helpful, but with appropriate consultation and cost-benefit analysis. In addition, the changing landscape of cash access technology make this flexibility important.

**Question 10: Are there any other factors, beyond those listed, that the FCA should consider as part of evaluating qualifying cash facilities?**

35. As well as meeting coverage requirements, there should also be requirements on the overall resilience of arrangements put in place by designated firms. As noted in the response to Question 8, given the consolidation underway in the cash market, arrangements such as the ATM Provider of Last Resort recommended by the PSR/FCA Roundtable should be encouraged as desirable to sustain resilience. The legislation should be drafted in a manner that will assist firms such as LINK in their assessment of their compliance with applicable competition law.

**Question 11: If geographic requirements are being met at a national level, do you think there are any circumstances in which the FCA should nevertheless be able to intervene at a local level?**

36. As set out in LINK's response to question 4, LINK believes that one overarching national approach is required to maintain cash as a viable inclusive national payment mechanism. Therefore, LINK does not believe that the FCA would be best placed to resolve issues at a local level.

37. However, LINK notes that through its "Request an ATM" community engagement initiative there already exists a route for communities to request a review of access to cash provision in their area. The legislation should avoid disrupting this approach, which is an important safety valve where generic access requirements are met but do not adequately serve a community.

**Question 12: Do you have any other views regarding the future role of the regulators in protecting cash?**

38. LINK believes that time is of the essence and the industry should be encouraged by the FCA and PSR to put in place voluntary arrangements pending regulation to prevent further deterioration of the existing cash system. These arrangements should be designed to be long term in nature and capable of supporting the legislative requirements once they come into effect.

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