

# First annual review of Specific Direction 12

Response to call for views

July 2023

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# 1 Summary

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In our first review of Specific Direction 12 (SD12), we have concluded that it has worked well in ensuring that LINK continues to meet its commitment to:

- maintain a broad geographic spread of free-to-use (FTU) ATMs
- meet service users' needs

We have, therefore, decided that SD12 should remain in place. We will undertake another review in spring 2024. At that point, we will assess SD12's role in protecting free access to cash in the context of the changes made by the Financial Services and Markets Act 2023 (FSMA23) to the regulatory landscape

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- 1.1** We are the UK's economic regulator of payment systems. Among the payment systems we regulate is LINK, the UK's largest ATM network, which allows cardholders to withdraw cash at any ATM connected to its network.
- 1.2** Our objectives are to promote competition and innovation, and to ensure that payment systems are operated and developed in the interests of the people and businesses who use them. One of our strategic priorities is to ensure that users have continued access to the payment services they rely on, in ways that work for them.
- 1.3** We want to make sure there is good access to cash for people and businesses who want to use it. FTU ATMs are still the main way that most people access cash<sup>1</sup>, so in March 2022, we gave LINK Specific Direction 12<sup>2</sup>, which ensures a broad geographic spread of FTU ATMs.
- 1.4** This is our first review of how well LINK is meeting the requirements we set out in SD12, and whether the direction should continue, taking into account current trends in cash usage and the changes to the regulatory framework introduced by the FSMA23.<sup>3</sup>
- 1.5** We published a call for views in March 2023, inviting views from stakeholders on SD12 operations, including how well LINK fulfilled its requirements; whether the requirements worked well in practice; and whether SD12 remained an effective tool to support LINK's commitment to a broad geographic spread of FTU ATMs. By the closing date of 21 April 2023, we received 12 written responses from a wide range of stakeholders. We have published non-confidential responses on our [website](#).

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1 Royal Society of Arts, *The cash census: Britain's relationship with cash and digital payments*, p.31: <https://www.link.co.uk/media/1909/the-cash-census-report.pdf>

2 PSR, *Specific Direction 12*: <https://www.psr.org.uk/media/fqbev0j5/specific-direction-12.pdf>

3 UK Parliament, *Financial Services and Markets Act*: <https://www.legislation.gov.uk/ukpga/2023/29/enacted>

**1.6** Based on the evidence we have collected and our analysis of stakeholder responses to our call for views, we conclude that SD12 is working well and should remain in place. Nevertheless, we have identified four areas for improvement, which we will work on with LINK:

- Applying the Defined Radius approach in practice, including how best to take into account economic activity.
- The transparency of LINK’s published data on Protected ATM coverage, including decision-making on ATM replacement and updates to the Protected ATM list.
- The transparency of LINK’s decision-making on setting interchange fees.
- Improvements to LINK’s ATM Replacement Procedure (e.g., reviews of protected status, reinstatement of Low Volume and Protected ATM Premiums at closing sites, Post Office criteria).

## Our assessment and conclusions

**1.7** Prior to the COVID-19 pandemic, cash use had been declining steadily for a few years. This decline accelerated during the pandemic and, despite a slight recovery in 2022, cash use remains well below pre-COVID-19 levels. These declines in cash use have been mirrored in a steady decrease in the number of ATMs in the UK.

**1.8** Under SD12, LINK designates any FTU ATM which is located more than 1km away from the next nearest FTU ATM as ‘protected’. The Protected ATM Policy is crucial to maintaining free access to cash for communities across the UK. It is continually reviewed and updated on an annual basis, with the latest version dated July 2022.<sup>4</sup> This decline in cash use and FTU ATMs more broadly means that the number of Protected ATMs is increasing, as a result of machines closing or being switched to pay-to-use (PTU). This trend has continued since the introduction of SD12, with the number of machines receiving protected status in the first 12 months of SD12’s operation (128) being higher than the figure for the 12 months before that (104).

**1.9** However, the number of Protected ATMs that have closed during the first 12 months of SD12 has remained broadly the same – 47, compared to 45 between March 2021 and March 2022 – with more closed Protected ATMs being replaced (11) compared to the 12 months before (2). The main reasons for such ATMs not being replaced were due to a Post Office being within 1km (17), or a site not being accessible to the general public (13).

### LINK’s policies and processes for maintaining and replacing Protected ATMs

**1.10** This suggests that LINK’s policies and processes to maintain, install and/or replace FTU ATMs are working well to ensure a broad geographic spread. Looking across all cash access points (i.e., ATMs, Post Office, retailer cashback), our latest data (as of June 2022) suggests that coverage is good – 96.5% of the UK population live within 2km of a cash access point, with 99.8% living within 5km.

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<sup>4</sup> LINK, *Protected ATM Policy*: <https://www.link.co.uk/media/2025/protected-atm-policy-v50.pdf>

- 1.11** Among stakeholders who responded to our call for views, there is a broad consensus that SD12 has been effective in ensuring that LINK maintains a broad geographic spread of FTU ATMs and meets service users' needs. However, there were some points of feedback that we will follow up with LINK – for example, how LINK applies the Defined Radius criteria (set out in SD12) in considering ATM replacement and the operation of its financial incentives to maintain Protected ATMs.

## Transparency

- 1.12** The majority of respondents also agreed that SD12's monitoring and reporting requirements have increased the transparency of LINK's processes for replacing ATMs, including on steps that LINK has taken to protect consumers' access to FTU ATMs in specific locations. Our assessment is that LINK is performing well with the monitoring requirements we have placed on it through SD12. Again, there were some suggestions from stakeholders on how to improve this transparency further, such as interchange fee setting and data on Protected ATM coverage, the implementation of which we are exploring further with LINK, subject to confidentiality constraints.

## The future of SD12

- 1.13** SD12 is due to expire in January 2025, unless we decide to vary or revoke it earlier. We have decided that SD12 should remain in place for the time being.
- 1.14** Despite recent declines in cash use, ATMs remain the most popular way for people to withdraw cash and we anticipate they are likely to remain so for many years to come. We want to ensure that the UK's cash system remains sustainable and continues to provide good access to cash for as long as communities require it.
- 1.15** We plan to undertake another annual review of SD12 in spring 2024, as set out in Section 10 of the direction. At that point, we will assess SD12's role in protecting free access to cash in the context of the FSMA23's changes to the regulatory landscape.

## The structure of this document

- 1.16** The rest of this document is structured as follows:
- **Chapter 2** provides background to SD12 and sets out key facts on access to cash, including why it matters, LINK's role and general trends in cash usage.
  - **Chapter 3** outlines the policies LINK has implemented to meet its commitments under SD12, including monitoring and reporting requirements. We also summarise and take into consideration the feedback provided by respondents to our call for views.
  - **Chapter 4** considers the impact of the measures that LINK has put in place for maintaining and replacing Protected ATMs, including financial incentives for operators and the Direct Commissioning process. Again, we have summarised and considered respondents' feedback in our assessment.
  - **Chapter 5** sets out our next steps to address the issues identified in this review.

## 2 Key facts about SD12 and cash use

While the use of cash is declining, it still remains the second most common payment method in the UK, which is why we gave SD12 to LINK. It replaces Specific Direction 8 (SD8) and Specific Direction 8a (SD8a) and ensures that LINK continues to maintain a broad geographic coverage of FTU ATMs in the UK and meets service users' needs. SD12 also requires LINK to have in place and maintain appropriate and effective policies, measures and reporting obligations.

### Why access to cash matters

- 2.1** We oversee LINK's commitment to ensuring good levels of access to cash in the UK. While people and businesses increasingly use a wide range of payment methods, access to cash remains important. Cash is still the second most popular payment method in the UK, accounting for 15% of all payments in 2021, with ATMs remaining the main channel through which most people access cash.<sup>5</sup>
- 2.2** In May 2022, the government announced new legislation to protect access to cash.<sup>6</sup> The Financial Services and Markets Bill 2023 (FSMB), which received Royal Assent in June 2023, will give the Financial Conduct Authority (FCA) a new purpose and powers to seek to ensure the reasonable provision of cash deposit and withdrawal services across the UK. The FCA will undertake a full consultation with firms and industry before making any rules under these powers.
- 2.3** We will continue to play an important role in overseeing LINK and protecting access to cash for those that need it via FTU ATMs.

### LINK's role

- 2.4** The LINK ATM system connects UK card-issuing banks and ATM operators, allowing card holders to withdraw cash at ATMs. Generally, when a card holder uses a UK ATM that does not belong to their issuing bank, the transaction takes place through LINK.
- 2.5** LINK does not own or operate ATMs, but sets the rules for ATM operators and card issuers who offer access to or use the network. ATM operators receive revenue through interchange fees, which card-issuing banks pay them for each transaction they acquire. These fees are set by the independent LINK board.

5 UK Finance, *UK Payment Markets Summary 2022*: <https://www.ukfinance.org.uk/system/files/2022-08/UKF%20Payment%20Markets%20Summary%202022.pdf>

6 GOV.UK, *New powers to protect access to cash*: <https://www.gov.uk/government/news/new-powers-to-protect-access-to-cash>

## Background to SD12

- 2.6** SD12 replaces SD8<sup>7</sup> and SD8a<sup>8</sup>, which required LINK to maintain a broad geographic spread of FTU ATMs in the UK and meet service users' needs. SD8 came into force in October 2018 and was due to remain in place until January 2022. In December 2021, we issued SD8a, extending the duration of SD8 to March 2022.
- 2.7** We considered it necessary to give a new direction to LINK, to ensure that it can continue to maintain a broad geographic coverage of FTU ATMs in the UK and meet service users' needs. SD12 requires LINK to have in place and maintain appropriate and effective policies, measures and reporting obligations.
- 2.8** As set out in SD12, we are carrying out a review after 12 months to assess if the direction is working as intended. This report sets out our findings and recommendations. We are taking into account the 12 stakeholder submissions we received in response to the call for views we published in March 2023.<sup>9</sup>

## General trends in cash use

- 2.9** As the FCA's forthcoming *Financial Lives 2022* survey will show, as of May 2022, 3.1 million adults paid for everything or most things in cash in the previous 12 months – including larger purchases and bills – in their day-to-day lives; of those, around half (1.5 million adults) say they use cash to budget. In addition, separate research estimated that 83% of people either carried cash with them or had some cash at home<sup>10</sup>, while latest estimates suggest that 96.5% of the UK population live within 2km of a cash access point, with the percentage increasing to 99.8% when the radius is set at 5km.<sup>11</sup>
- 2.10** COVID-19 significantly accelerated the decline of cash use. Figure 1 shows that cash withdrawal volumes through the LINK network fell by 39.5% between 2019 and 2020 and have remained below the pre-pandemic levels, despite a year-on-year increase between 2021 and 2022.

7 PSR, *Specific Direction 8*: <https://www.psr.org.uk/media/brn45o5/psr-specific-direction-8-dec21.pdf>

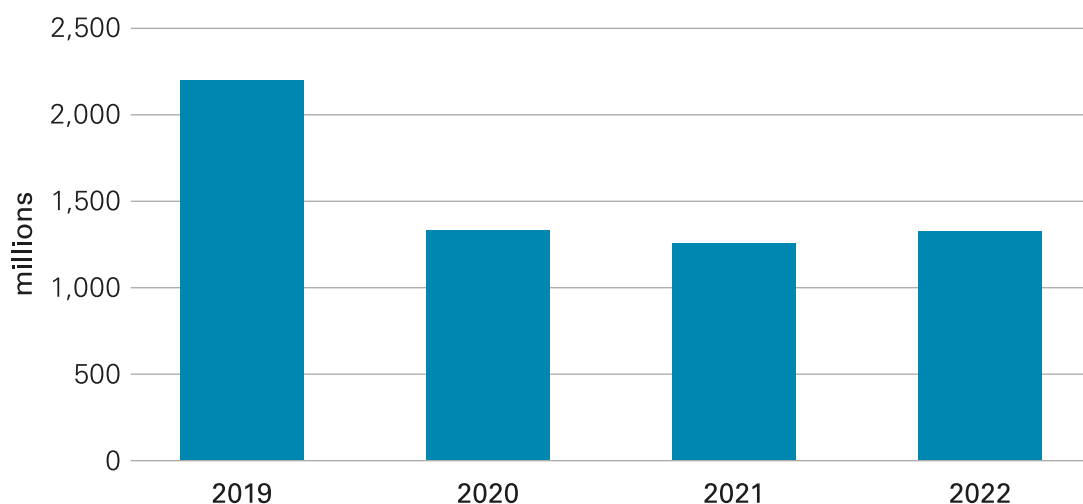
8 PSR, *Specific Direction 8a*: <https://www.psr.org.uk/media/ym1pptg5/psr-specific-direction-8a-dec21.pdf>

9 PSR, *Call for views: First review of Specific Direction 12 (LINK)*: <https://www.psr.org.uk/publications/consultations/call-for-views-first-review-of-specific-direction-12-link/>

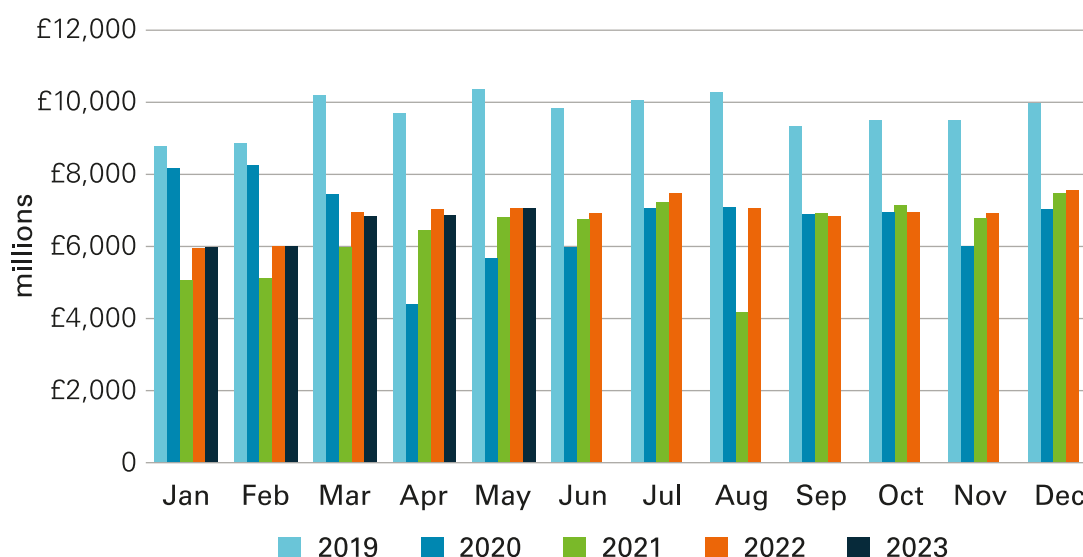
10 Royal Society of Arts, *The cash census: Britain's relationship with cash and digital payments*, p.8: <https://www.link.co.uk/media/1909/the-cash-census-report.pdf>

11 PSR, *Access to cash coverage in the UK Q2*: <https://www.psr.org.uk/our-work/access-to-cash/access-to-cash-coverage-in-the-uk-2022-q2/>

**Figure 1: Cash withdrawal volumes (millions) 2019 to 2022<sup>12</sup>**



**Figure 2: Value of LINK cash withdrawals by month, 2019 to 2022<sup>13</sup>**



**2.11** The value of cash withdrawals followed a similar trend (Figure 2). The latest data indicates that LINK cash withdrawal values of £7,063 million for May 2023 remain below pre-COVID-19 levels of £10,354 million in May 2019. This is despite a year-on-year increase from £6,809 million to £7,065 million between 2021 and 2022.<sup>14</sup>

**2.12** The data also shows that the number of FTU ATMs in LINK’s network has declined by nearly 28% between 2017 and 2022, reaching levels last seen in 2009 (Figure 3). However, the scale of these reductions has been falling year by year. The largest drop in ATM numbers occurred between 2018 and 2019: 12.8%, compared to 7.9% between 2019 and 2020 and 3.7% between 2021 and 2022.

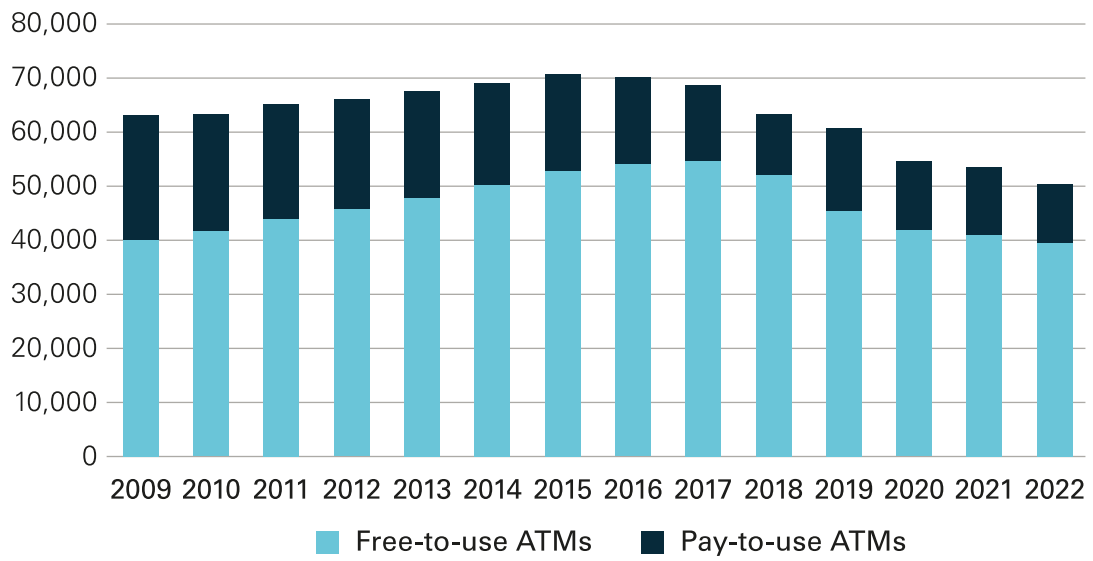
12 LINK, *Statistics and trends*: <https://www.link.co.uk/about/statistics-and-trends/>

13 LINK, *Statistics and trends*: <https://www.link.co.uk/about/statistics-and-trends/>

14 LINK, *Statistics and trends*: <https://www.link.co.uk/about/statistics-and-trends/>



**Figure 3: ATM numbers in the LINK network, 2009 to 2022<sup>15</sup>**



15 LINK, *Statistics and trends*: <https://www.link.co.uk/about/statistics-and-trends/>

## 3 LINK's commitments under SD12

Based on the stakeholder feedback we received, and our own assessment, we conclude that SD12 has successfully ensured that LINK has met its obligations. However, respondents have suggested that LINK should include geographical and contextual data in their reports to help ATM operators understand demand and the reasons behind ATM closures at a more granular level.

**3.1** SD12 requires LINK to maintain appropriate, effective and well-defined policies and measures to maintain a broad geographic spread of FTU ATMs and meet service users' needs. As specified in the direction, these policies must address the following:

- how LINK will use financial incentives to enable the continued operation of Protected ATMs, including the Low Volume Premium<sup>16</sup>
- how LINK will set and apply the Defined Radius<sup>17</sup>, adapting it where appropriate to reflect actual travel conditions on the ground, rather than adhering to a rigid 'as the crow flies' approach
- what processes<sup>18</sup> LINK will use when deciding whether to incentivise or otherwise ensure the maintenance, reopening or replacement of Lost ATMs
- the criteria that LINK intends to use to determine the circumstances in which an alternative form of access to cash (including but not limited to the Post Office) can qualify as an adequate substitute for a Lost ATM.<sup>19</sup>

### Protected ATM Policy

**3.2** LINK's Protected ATM Policy has been in place since November 2018, in response to SD8. The policy grants protected status to FTU ATMs more than 1km from their next nearest FTU ATM, and sets out the specific arrangements LINK has made for them. LINK reviews the policy annually, with the most recent version published on LINK's website in July 2022.

<sup>16</sup> As defined in LINK's [Protected ATM Policy](#), 'low volume premium' means the additional premiums card issuers pay ATM operators for cash withdrawals at Protected ATMs (plus non-Protected ATMs that are part of LINK's Financial Inclusion Programme). To be eligible, ATMs must be free to use, located more than 1km from the nearest FTU ATM and complete an average of less than 4,500 cash withdrawals per month based on the previous 12 months of operation.

<sup>17</sup> 'Defined Radius' means a distance measured from the location of an FTU ATM, currently 1km from the date this direction came into force.

<sup>18</sup> Defined as 'filters' in SD12

<sup>19</sup> A Lost ATM is any Protected ATM that has ceased to operate (other than on a temporary basis), switched to charging for withdrawal of cash, or is scheduled to close within the next 12 weeks.

**3.3** As part of its monitoring and reporting requirements under SD12, LINK publishes a monthly Footprint Report<sup>20</sup>, with information on the total number of Protected ATMs, including both those that are currently operational and those where free withdrawals have ceased, either due to closure or conversion to PTU.

### Analysis of outcomes under the Protected ATM Policy

**3.4** LINK’s Footprint Report for March 2023 states that there are a total of 3,365 Protected ATMs in the UK. This represents a 4% net increase (128 new Protected ATMs) compared to the figure for March 2022 when we introduced SD12.<sup>21</sup> The year-on-year increase between 2022 and 2023 is slightly higher than that of the preceding year (3.3%), when 104 new ATMs received protected status. This underlines the importance of LINK’s Protected ATM Policy in securing free access to cash.

**3.5** One of the underlying reasons for this trend is a general decline in FTU ATMs over recent years. There were 39,000 FTU ATMs in March 2023 compared to 54,500 in January 2018, a reduction of 28%. As the demand for cash continues to fall in the aftermath of the COVID-19 pandemic, so does the number of ATM withdrawals. The ATM operators have responded by reducing the overall number of FTU ATMs<sup>22</sup>, leaving more FTU ATMs as the only one available within 1km, qualifying them for protected status.

**3.6** In the first 12 months under SD12 (between March 2022 and March 2023), 47 Protected ATMs closed, similar to the level of closures between March 2021 and March 2022 (45), despite a larger increase in the total number of Protected ATMs in those 12-month periods (128 and 104 respectively). In addition, a higher number of closed ATMs have been targeted for replacement between March 2022 and March 2023 (11) than between March 2021 and March 2022 (2).

**3.7** Table 1 provides an overview of selected statistics on Protected ATMs from 2021 to 2023.

**Table 1: Key statistics on Protected ATMs 2021 to 2023**

	March 2021	March 2022	March 2023	Year-on-year difference	
				2021-2022	2022-2023
<b>Total Protected ATMs</b>	<b>3,133</b>	<b>3,237</b>	<b>3,365</b>	<b>104</b>	<b>128</b>
<b>Confirmed as closed</b>	<b>337</b>	<b>382</b>	<b>429</b>	<b>45</b>	<b>47</b>
Not being replaced	282	325	361	43	36
Targeted for replacement	55	57	68	2	11

20 LINK Monthly ATM Footprint Report: <https://www.link.co.uk/initiatives/financial-inclusion-monthly-report/>

21 LINK ATM Footprint Report, March 2022: <https://www.link.co.uk/media/1924/atm-footprint-report-march-2022.pdf>

LINK ATM Footprint Report, March 2023: <https://www.link.co.uk/media/2216/march-footprint-report-submitted-to-the-psr-28th-april-2023.pdf>

22 LINK Monthly ATM Footprint Report: <https://www.link.co.uk/initiatives/financial-inclusion-monthly-report/>

- 3.8** As the proportion of Protected ATMs that have closed between March 2022 and March 2023 has reduced (47 closures against 128 new Protected ATMs, compared to 45 closures against 104 new Protected ATMs) and the proportion of closed Protected ATMs that LINK has designated for replacement has increased (11 out of 47 for March 2022 to March 2023 and 2 out of 45 for March 2021 to March 2022), we conclude that LINK's Protected ATM Policy is working well. We will continue to monitor this situation through the information that LINK provides.
- 3.9** LINK's monthly Footprint Reports also provide context on why some ATMs are not replaced. This issue is explored in further detail in the next chapter.<sup>23</sup>

## Other LINK initiatives

- 3.10** LINK's Protected ATM Policy exists alongside several other LINK initiatives, such as the Financial Inclusion Programme and the Community Requests Scheme, aimed at supporting a broad geographic spread of FTU ATMs and ensuring free access to cash in the most deprived areas. As these fall outside the scope of SD12, we describe them briefly at Annex 1.

## Transparency

- 3.11** SD12 places several monitoring and reporting requirements on LINK. These capture changes to the number of Protected ATMs and any relevant closures or conversions, as well as information about LINK's action to reopen or replace closed ATMs. LINK must also keep us informed on its monitoring activities (e.g., ATM closures or conversions) and explain any changes it makes to its policies, procedures and measures. SD12 also places a requirement on LINK to provide us with an annual report outlining the considerations given to enhancing the resilience of the ATM Replacement Procedure, along with a timeframe for implementing them.
- 3.12** LINK publishes a number of documents on its website to provide information on its policies and the ATM network:
- **[Monthly ATM Footprint Reports](#)** containing data on LINK's performance on maintaining a broad geographic spread of the FTU ATMs. These reports include the total number of Protected ATMs (both 'live' and 'no longer transacting') and their status (e.g., need for replacement, resolved, installed), a full list of Protected ATM locations, closed ATMs and a breakdown of LINK's direct commissioning activity.
  - **[Monthly reports](#)** detailing recent Board decisions. These reports also provide an overview of LINK's work on maintaining access to cash.
  - **[Protected ATM Policy](#)** which sets out LINK's approach to Protected ATMs.
  - **[Cash locator](#)** – an online tool which allows consumers to look up ATMs, Post Offices and cash-at-the-till counters by postcode.
  - **[Statistics and trends](#)** about transaction volumes and values by week and cash withdrawal values on the LINK network; ATM numbers; LINK transaction history; and LINK members' ATM networks.

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<sup>23</sup> LINK, *ATM Footprint Report, March 2023*: <https://www.link.co.uk/media/2216/march-footprint-report-submitted-to-the-psr-28th-april-2023.pdf>

- **LINK Strategic Plan** – this sets out how LINK intends to deliver access to cash as long as communities need it. The latest three-year plan was published in early 2020 and was subsequently updated in December 2022. We expect LINK to publish a new plan in 2024, covering the period from 2025 to 2028.

## Respondents' views

### LINK's compliance

- 3.13** There is a broad consensus among stakeholders that SD12 has been effective in maintaining a broad geographic spread of FTU ATMs. The majority of respondents welcome the work carried out by LINK in response to SD12 and believe that LINK has met its obligations under SD12.
- 3.14** One respondent stated that the Footprint Reports are helpful in explaining changes to the number of Protected ATMs and Lost ATMs, as well as providing updates on LINK's direct commissioning activity.
- 3.15** Another respondent, however, said that the Footprint Reports do not contain enough data to allow operators to understand where or why ATMs are being protected, closed or targeted for replacement. In their view, LINK should include geographical and contextual data to help firms understand how customers are using the infrastructure. This respondent called for LINK's monthly reporting to include the following:
- A list of all areas at risk of closure or conversion to PTU and their current status at the time of publication.
  - A breakdown of costs comparing Protected ATMs installed via Direct Commissioning<sup>24</sup> and ATMs installed as a result of a community request.
  - Evidence of new ATMs' effectiveness – for example, how much people use them.
- 3.16** The same respondent stated that understanding local demand, potential alternative sources of free cash access and the reasons behind ATM closures would help operators formulate their commercial strategies. For example, if an ATM has been closed due to lack of demand, installing a replacement ATM, likely at a higher cost, may not be a suitable outcome.

### Policies and measures to protect access to cash

- 3.17** Respondents acknowledged the importance of LINK's initiatives such as the Financial Inclusion Programme and the Retail Centre ATM Policy in securing the availability of free access to cash in the UK. Although respondents agreed that other channels such as Post Office counter services and cashback via retailers can be sources of cash in some locations, they stated that these cannot fully replace a well-functioning ATM network in meeting users' needs.

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<sup>24</sup> Direct Commissioning means the process that the operator of LINK applies to select an ATM operator to install a replacement of a Lost ATM and that forms part of the ATM Replacement Procedure.

- 3.18** One respondent suggested that there should be regular reviews of protected areas to assess if new sources of free access to cash have appeared. They suggested that an ATM should cease to be protected if another source of free access to cash becomes available nearby. In their view, the frequency of such reviews should balance the cost of undertaking them with that of retaining potentially unnecessary protected status for some ATMs.
- 3.19** A respondent suggested that LINK should carry out a local assessment of actual demand, considering the profile of local communities, the demand for cash and access requirements, before making a decision on providing a new access to cash source. The respondent said that such an approach would ensure the maintenance of proportionate infrastructure and would contribute to avoiding unnecessary costs for both LINK and ATM operators.
- 3.20** One respondent pointed out a potential gap in provision when an ATM deployer announces that a specific machine will be converted to a PTU ATM or close. They suggested a mandatory notice period before closure or conversion, or that operators should have to keep their FTU ATM 'live' until a new operator can be found and a replacement ATM installed. In their view, such measures would limit detriment to the community and would allow regular users of the ATM in question to plan how to access cash in future.
- 3.21** Another respondent suggested that LINK's policies should consider the needs of vulnerable people and others who depend on cash access in all environments, rather than only focusing on 'cold spots'. This might require amendments to LINK's policies to align with the needs and movements of such users.
- 3.22** Another respondent asked for further clarification of all specifications of Defined Radius.

## Transparency

- 3.23** Respondents generally agreed that LINK is doing a good job of meeting the monitoring and reporting requirements that we placed on it via SD12. In addition to the monthly Footprint Reports, LINK produces annual reports on the work of its Consumer Council.<sup>25</sup> As required by SD12, it is currently working on its first annual report on the resilience of the ATM Replacement Procedure. We expect to receive the report soon.
- 3.24** Two-thirds of respondents agreed that SD12's monitoring and reporting requirements have increased the transparency of LINK's ATM Replacement Procedure, including on the steps LINK has taken to protect consumers' access to FTU ATMs in specific locations. The information we and other stakeholders receive from LINK helps us identify gaps or delays in the provision of free access to cash.
- 3.25** Respondents agreed that the month-on-month numbers LINK provides through its monitoring gives operators a helpful overview. However, some respondents requested greater transparency and clarity on LINK's strategy, objectives and decision-making process. They said this could help ATM operators to make more effective decisions about their operations.

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<sup>25</sup> LINK, *Consumer Council*: <https://www.link.co.uk/initiatives/consumer-council/>

- 3.26** Respondents said they would like to see more information, such as:
- The reasons for ATMs being removed or not replaced – such as cost increases, lack of use and lack of available suitable sites for replacements.
  - A list of ATMs at risk of closure or conversion to PTU, and the effectiveness of LINK’s intervention.
  - Reports of site visits by LINK in response to requests for new ATMs.
  - More detail on how interchange fees affect ATM provision.
- 3.27** Some respondents felt there is a lack of transparency on the LINK board’s decisions on interchange fees, and that this affected ATM operators’ business planning by reducing their confidence in their ability to recover their costs (see Chapter 4). There was also criticism that the data LINK currently publishes lacks detail on the reasons that LINK may not categorise certain ATMs as targeted for replacement.
- 3.28** Some respondents suggested that we should adopt a more data-led view on LINK’s performance. For example, they proposed we might align our indicators of LINK’s performance with UK Finance’s five commitments to secure ongoing provision of access to cash. Respondents also suggested regional reporting would offer us a clearer picture of issues facing consumers across the UK. Another suggestion was that we should advocate for a public information campaign on cash access to raise awareness of the existing options, including ongoing innovation in free access to cash from sources that are not ATMs, such as cashback without purchase.
- 3.29** One respondent felt that we had failed to provide the oversight and transparency necessary to sufficiently address the ongoing decline of free access to cash. In their view, this lack of oversight has allowed the number of ATMs in the UK to continue to fall, driven by a real-term reduction in LINK’s interchange fee and the removal of the independent fee-setting mechanism.

## Our position

- 3.30** The evidence we have collected and our analysis indicates that LINK is meeting the monitoring and reporting requirements set out in SD12. Our assessment of how well SD12 is working to ensure that LINK maintains a broad geographic spread of FTU ATMs will be informed by our conclusions on outcomes in Chapter 4.
- 3.31** Since we introduced SD12 in March 2022, the total number of Protected ATMs has increased as a result of closure or conversion to PTU of other FTU ATMs. Overall, LINK’s financial incentives and interventions have successfully resolved 16 Protected ATMs targeted for replacement, through the installation of new FTU ATMs, down from the preceding year’s figure of 27. LINK has indicated that the pandemic had delayed installation and removal activity, leading to a backlog of cases needing resolution. LINK also pointed out that the number of sites coming into Direct Commissioning had been potentially artificially high in 2021 and 2022.
- 3.32** Having considered stakeholders’ views and our own analysis, we conclude that LINK has complied with its obligations under SD12 to demonstrate the impact of its policies and initiatives on the distribution of FTU ATMs.

- 3.33** We look forward to receiving LINK's report on the resilience of the ATM Replacement Procedure and considering whether further action may be necessary.
- 3.34** We are engaging with LINK to understand what consideration it gives to demand for cash on the ground, the profile of local communities and the needs of vulnerable members of society before deciding whether to replace a Protected ATM that has been converted to PTU or has closed. We are also discussing with LINK the feasibility of introducing reviews of protected areas to assess if new sources of free access to cash have become available.
- 3.35** We have discussed with LINK the issues raised by respondents, which has confirmed that:
- under the current scheme rules, ATM operators are not required to give notice to LINK if they intend to close a machine or convert it to PTU
  - LINK is not a party to the contract between the ATM operator and the host site, so it has no power to keep an ATM 'live' until a new operator can be found and a replacement ATM installed
  - several types of information requested by respondents – specifically, areas at risk of closure or conversion to PTU, the breakdown of costs of ATMs installed through Direct Commissioning or via a community request, and the impact and usage of new ATMs – are commercially confidential and cannot be published
- 3.36** We have raised with LINK the need for the information it publishes on its website to be easily accessible and provide an appropriate level of transparency. For example, the full lists of Protected ATMs and ATMs that have closed or switched to PTU could be made more prominent on LINK's website.



## 4 Outcomes under SD12 to date and the future of SD12

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This chapter examines the impact of the measures that LINK has put in place for maintaining and replacing Protected ATMs.

In terms of measures to maintain Protected ATMs, LINK removed the offering of its Low Volume and Protected ATM premiums from the ATM Replacement Procedure in March 2021, so most closures have been resolved through new ATMs being installed through Direct Commissioning. For those closed ATMs that are not being replaced, the main reason was either proximity to a Post Office or it not being accessible to the public.

Overall, we conclude that SD12 is working well and should remain in place. We will conduct a further review of SD12 in 2024, which will include an assessment about the future of SD12 in light of changes to the regulatory framework.

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### Maintaining Protected ATMs

- 4.1** LINK has put in place several incentives to keep Protected ATMs open and prevent them from being closed or converted to PTU. These measures include specific interchange fee payments and other premiums.

#### Financial incentives to maintain Protected ATMs

##### Protected rate of interchange

- 4.2** Operators receive a higher, protected interchange rate on all Protected ATMs that were in place at the time of LINK's original commitment (January 2018). This level of interchange was not affected by LINK's interchange fee reductions in 2018 and 2019.<sup>26</sup>
- 4.3** In addition to the protected rate of interchange, operators of Protected ATMs are entitled to two other payments: the Low Volume Premium and the Protected ATM Premium. These fees are both paid by card issuers and calculated on a per-withdrawal basis.
- 4.4** LINK has explained that when the ATM Replacement Procedure began in 2018, operators were offered a two-month window to accept premiums at closing sites, before the site went to Direct Commissioning. However, LINK felt this was artificially slowing down the process for replacing ATMs, and in consultation with the PSR, removed this step from the ATM Replacement Procedure in March 2021 and began to send sites straight to Direct Commissioning. Nevertheless, both the Low Volume and Protected ATM Premiums remain available to operators of Protected ATMs.

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<sup>26</sup> For more information on current interchange fee levels, please see LINK's website: <https://www.link.co.uk/initiatives/interchange/>

## The Low Volume Premium

- 4.5** LINK introduced the Low Volume Premium in 2019 to help keep Protected ATMs open, and thus ensure they do not need to be replaced. In order to qualify for the premium, in addition to being a Protected ATM (i.e., free-to-use and located more than 1km from the nearest FTU ATM), the ATM must complete an average of fewer than 4,500 cash withdrawals per month based on the previous 12 months of operation.
- 4.6** The amount is set in LINK's Protected ATM Policy, ranging from £0.10 to £2.75 per transaction, depending on which of six usage bands an ATM falls into, with each band set according to a different average volume of monthly cash withdrawals.<sup>27</sup>

## The Protected ATM Premium

- 4.7** LINK can offer the Protected ATM Premium to ATM operators that are planning to close a Protected ATM or convert it to PTU on the grounds that it is not economically viable. LINK sees prevention of closure as the most cost-effective option, causing the least disruption to the community the Protected ATM serves.<sup>28</sup>
- 4.8** The Protected ATM Premium varies between £0.10 and £0.30 per transaction, depending on which of three usage bands the ATM falls into, reflecting the average volume of cash withdrawals over the preceding 12 months.

## Analysis of measures to maintain Protected ATMs

- 4.9** Prior to their removal from the ATM Replacement Procedure in March 2021, the Low Volume Premium and the Protected ATM Premium have helped LINK keep open 19 of the 104 Protected ATMs that have been marked for closure since the Protected ATM Policy began in 2018.<sup>29</sup>
- 4.10** Figure 4 shows the number of Protected ATMs targeted for replacement that have been resolved (i.e., kept open or restored through installation of a new ATM) by LINK's financial incentives and interventions from 2021 to 2023.

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27 LINK, *Protected ATM Policy*, p.13: <https://www.link.co.uk/media/2025/protected-atm-policy-v50.pdf>

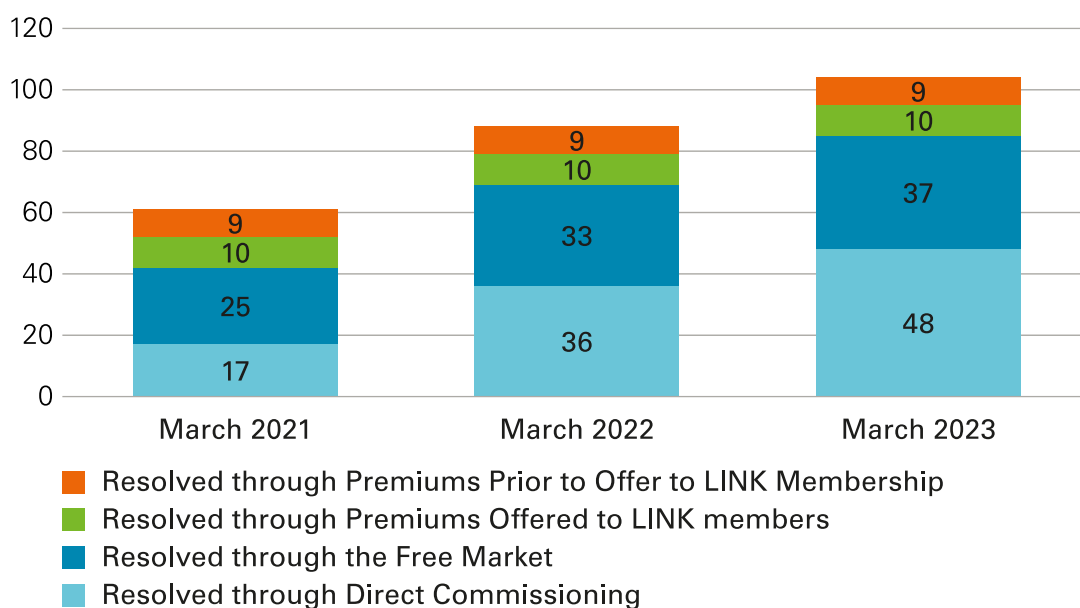
28 For a graphical representation of this process, please see Appendix 3 of LINK's Protected ATM Policy, available here: <https://www.link.co.uk/media/2025/protected-atm-policy-v50.pdf>

29 LINK, *ATM Footprint Report, January 2021*: <https://www.link.co.uk/media/1723/atm-footprint-report-january-2021.pdf>

LINK, *ATM Footprint Report, March 2022*: <https://www.link.co.uk/media/1924/atm-footprint-report-march-2022.pdf>

LINK, *ATM Footprint Report, March 2023*: <https://www.link.co.uk/media/2216/march-footprint-report-submitted-to-the-psr-28th-april-2023.pdf>

**Figure 4: Cumulative number of ATMs targeted for replacement now resolved<sup>30</sup>**



**4.11** Between March 2022 and 2023, 16 new ATMs have been installed, with 12 of these delivered via LINK’s Direct Commissioning process and four through ATM operators without intervention from LINK (i.e., free market). In comparison, between March 2021 and March 2022, 27 new ATMs were installed, with 19 through Direct Commissioning and eight through the free market. This data needs to be considered in the context of COVID-19, when installations, removals and site visits were delayed. This led to a backlog and resulted in the number of sites entering Direct Commissioning being potentially artificially high in 2021 and 2022.

**4.12** As set out above, LINK no longer offers either the Low Volume Premium or the Protected ATM Premium as part of the ATM Replacement Procedure. Given the continued increase in the number of Protected ATMs over recent years, we will discuss with LINK whether there is merit in reinstating offering these financial incentives as a step in the ATM Replacement Procedure.

<sup>30</sup> As set out above, in agreement with the PSR, LINK stopped offering the Low Volume Premium and the Protected ATM as part of the ATM Replacement Procedure in March 2021.

## Replacing Protected ATMs

- 4.13** Once a Protected ATM closes, LINK assesses the site and judges whether the machine should be replaced, as set out in Section 4 of its Protected ATM Policy.<sup>31</sup> If LINK does decide it needs to install a new ATM, it adds the site to its Direct Commissioning process.

### Defined Radius approach

- 4.14** One of the key changes we introduced in SD12 was to replace the '1km rule' from SD8 with the 'Defined Radius', which provided LINK with more flexibility to implement its policies. SD12 sets the Defined Radius at 1km but includes flexibility to allow LINK to change this, provided the distance remains compatible with the objective of ensuring a broad geographic spread of FTU ATMs, and that we do not object to the change.

### Reasons not to replace Protected ATMs

- 4.15** There are four main reasons why LINK may not decide to replace a Protected ATM that has closed:
- **Alternative free source of cash access (Post Office, non-LINK ATM):** The Post Office's Everyday Banking service allows customers of all major banks to withdraw cash and make balance enquiries, free of charge. In order to qualify as a suitable replacement for a Protected ATM, a Post Office branch must be located within 1km of the Protected ATM and be open at least five days per week.<sup>32</sup>
  - **No public access:** When LINK receives a notification that an ATM in a location not widely accessible to the public, such as in private buildings or army barracks, is about to close or be converted to a PTU ATM, it assesses whether the location is likely to be classified as 'private'. If the Protected ATM is accessible or externally facing, LINK categorises it as 'targeted for replacement'. If not, the ATM is considered as having 'no public access' and is not replaced.
  - **Security concerns:** A Protected ATM may cease to operate because of a security concern such as a robbery or any other type of criminal activity. If the retailer hosting the ATM or the ATM operator considers replacing the ATM to be unsafe and there are no nearby alternative locations available, LINK may decide not to replace the ATM until the risk assessment of the site improves.<sup>33</sup>
  - **Lack of community detriment:** The closure of ATMs in remote locations where there is no local community or ATMs situated just over 1km away from another ATM may not cause any community detriment. A decision about potential replacement will only be taken after an onsite assessment by LINK.

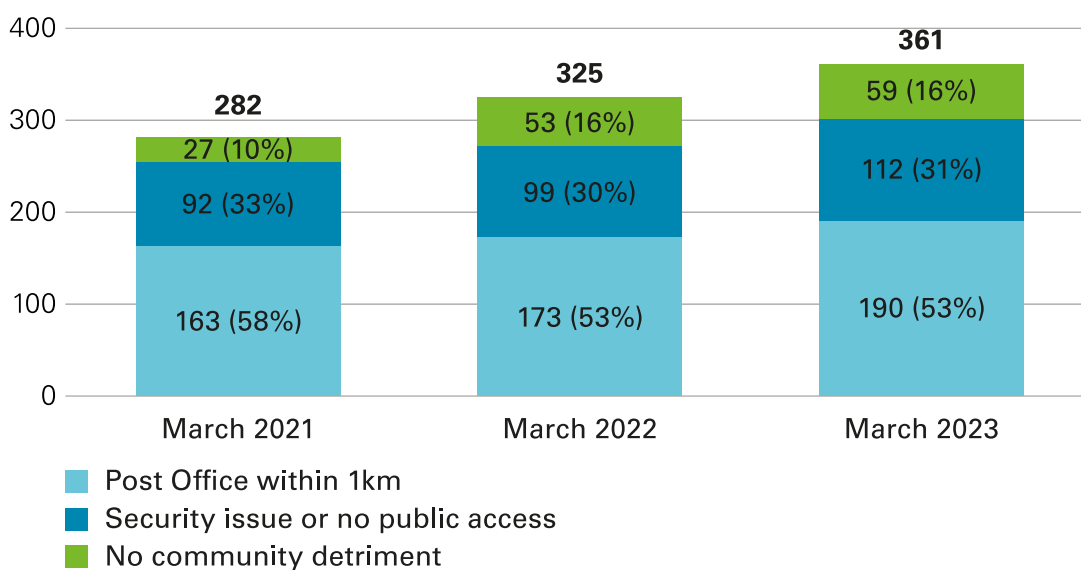
31 LINK, *Protected ATM Policy*, p.5: <https://www.link.co.uk/media/2025/protected-atm-policy-v50.pdf>

32 Mobile Post Offices are excluded.

33 If the host is acting to address the security concerns, LINK could delay the replacement of the ATM until they have completed the improvements. Where it is not possible to mitigate the security risk, the ATM remains closed and is subject to annual reviews by LINK, unless LINK is notified of a change in circumstances. Following such a notification, LINK contacts the ATM operator for that location and requests an update on its security assessment.

## Analysis of measures to replace Protected ATMs

**Figure 5: Reasons for Protected ATMs not being replaced (cumulative numbers)<sup>34</sup>**



**4.16** As of March 2023, LINK has categorised 68 closed Protected ATMs as ‘targeted for replacement’, representing 2% of all Protected ATMs. This percentage is slightly higher than March 2021 and March 2022 (both 1.8%). As at March 2023, there were 361 closed Protected ATMs (10.7% of all Protected ATMs) that were not being replaced, with the reasons for this lack of replacement relatively stable between March 2022 and March 2023.

**4.17** For example, the proportion of Protected ATMs not being replaced because they were situated within 1km of a Post Office was 52.6% in 2023 and 53.2% in 2022, while 31% of ATMs were deemed inaccessible to the general public in March 2023, compared to 30.5% a year earlier. Finally, the percentage of Protected ATMs not replaced due to a lack of community detriment has remained stable between March 2022 and March 2023, at 16.3%. This suggests that the profile of Protected ATMs that have closed in the last 12 months has remained relatively consistent and that LINK has been applying its Protected ATM Policy consistently.

<sup>34</sup> ‘No public access’ and ‘security issue’ categories have been combined to focus on permanent ATM closures and avoid counting temporary ATM closures, due to security issues that have since been resolved.

LINK. *Footprint Report, March 2021*: (available by request to LINK)

LINK. *Footprint Report, March 2022*: <https://www.link.co.uk/media/1924/atm-footprint-report-march-2022.pdf>

LINK. *Footprint Report, March 2023*: <https://www.link.co.uk/media/2216/march-footprint-report-submitted-to-the-psr-28th-april-2023.pdf>

## Direct Commissioning

- 4.18** Direct Commissioning is used only when LINK establishes that a Protected ATM has closed or converted to a PTU ATM.<sup>35</sup> The process is funded by the card-issuing members of LINK. LINK identifies and lists suitable host sites and regularly invites all LINK members to bid for contracts to install and operate ATMs. The ATM should become live within six months following LINK’s acceptance of the bid. However, LINK is not involved in the contract between the operator and the host. If LINK does not receive any bids or considers that the bids it has received do not represent good value for money, it can invite a second, independent, round of bids at its discretion. All members are eligible to participate, whether or not they have participated in the first round.
- 4.19** If there is not a suitable site or a willing site owner to host a Protected ATM, LINK carries out an assessment to establish if there is an access to cash issue within the community. If there is, it will consider options to resolve the issue. LINK advises us of its response and considers whether any action should be added to the Protected ATM Policy as a formal alternative.

## Analysis of outcomes under Direct Commissioning

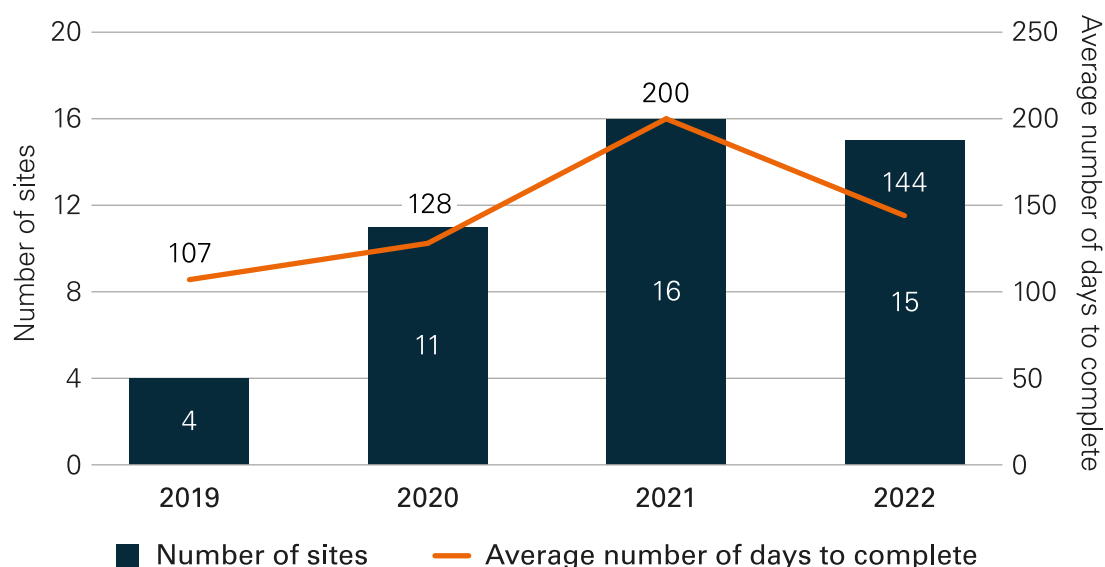
- 4.20** LINK’s Direct Commissioning process led to the installation of 12 new FTU ATMs between March 2022 and March 2023. This is lower than the comparable figure for the previous year, when 20 new ATMs were installed through this process. However, this likely reflects the higher number of ATM sites in the Direct Commissioning process in March 2021 (31) compared to March 2022 (14).
- 4.21** Looking at LINK’s data on the time required to install an ATM through Direct Commissioning, the average has dropped from 200 days in 2021 to 144 days in 2022, across a sample of 16 and 15 sites respectively.<sup>36</sup> While COVID-19 restrictions have contributed to potential delays during 2020 and 2021 in particular (e.g., preventing site visits), we will continue to monitor this indicator through 2023 and would expect this to fall further this year.

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35 LINK also uses the Direct Commissioning process when it decides to install a FTU ATM in response to a Community Request Scheme request.

36 Please note that the figures in paragraphs 4.21 and 4.22 do not align as the data quoted in paragraph 4.22 captures calendar years from 1 January to 31 December.

**Figure 6: Number of Protected ATMs installed through Direct Commissioning and average time taken**



## Future of SD12

**4.22** SD12 is due to expire in January 2025 unless we change or revoke it. However, we are aware of wider initiatives on cash access, including the changes to the regulatory regime set out in the Financial Services and Markets Act 2023 (FSMA23). Therefore, we have asked stakeholders whether SD12 should remain in place.

## Respondents' views

### Outcomes under SD12

**4.23** Several respondents were broadly supportive of the effectiveness of SD12 and found that it had a positive impact on people and businesses. All of these respondents agreed that since SD12 came into effect in March 2022, the industry has developed a broader and more coordinated strategic approach towards cash management under the leadership of the Cash Action Group.<sup>37</sup> One respondent noted that LINK's Direct Commissioning process is largely effective in installing FTU ATMs. Another suggested that Direct Commissioning should be tested and measured to confirm that it is financially sustainable in the long term.

**4.24** On the other hand, two respondents criticised SD12's approach and its limitations. One respondent said that, in its current form, SD12 only covers a small proportion of the UK's ATMs: those that are defined as protected (approximately 8.5% of all FTU ATMs). In their view, LINK's actions to maintain or replace Protected ATMs have failed to counteract the decline in the number of FTU ATMs, which has fallen by 14,500 between January 2018 and March 2023.<sup>38</sup>

<sup>37</sup> Cash Action Group is a UK Finance-led body. Work it initiated relating to the delivery of shared cash and banking services is now carried out by Cash Access UK Limited.

<sup>38</sup> LINK, *Monthly ATM Footprint Report*: <https://www.link.co.uk/initiatives/financial-inclusion-monthly-report/>

- 4.25** One respondent mentioned that the decline in ATMs may have made everyday tasks such as grocery shopping or paying for services more difficult for vulnerable and older people.
- 4.26** Two respondents called for attention to regional variations, with one noting that over 16% of people in Northern Ireland lived more than 2km away from an FTU ATM, and another highlighting the potential competitive disadvantage to convenience stores in Scotland compared to larger shops and supermarkets if the number of FTU ATMs declines further. According to the same stakeholder, ATM operators have an essential part to play alongside LINK in promoting and protecting the FTU ATM network in convenience stores in Scotland specifically.

### Defined Radius approach

- 4.27** While respondents generally saw the introduction of a more dynamic Defined Radius system as a step in the right direction, a number of respondents said that a requirement for access to cash should reflect coverage on the ground, rather than points on a map. For example, a more dynamic definition of 'defined radius' would allow for differentiation between rural and urban areas, with a different radius for each, enabling LINK to respond to different cash needs based on economic activity and population size. LINK could then take into account where people live and shop to determine whether there is sufficient FTU ATM provision to meet their needs.

### Interchange fees

- 4.28** Nine respondents commented on LINK's interchange fees. Given recent increases in interest rates, respondents have identified a risk that access to cash could be compromised by inflationary pressures, as Protected ATMs may become unviable for operators and at risk of closure. In support of this view, one respondent claimed that inflation was forcing some independent ATM operators, which make up 70% of the ATM market, to convert machines to a PTU model or to close machines altogether. Therefore, stakeholders called for an increase to interchange fees so that these operators could continue to provide vital support to communities where free access to cash is needed most.
- 4.29** One respondent suggested that LINK's interchange fees for Protected ATMs should be extended to the wider ATM LINK network. They said that this would improve the transparency of LINK's decision-making. One respondent suggested that, when setting its interchange fees, LINK should also consider independent studies which reflect the cost of acquiring transactions.
- 4.30** One respondent was in favour of legislation to allow independent interchange fee-setting for ATMs and require bank participation in LINK or its replacement. Another submission suggested that the PSR should intervene in the market to maintain the FTU ATM network and facilitate financial inclusion – for example, by reviewing the level of LINK's current interchange fees.



## Measures to maintain Protected ATMs

- 4.31** One respondent highlighted the additional fees that card issuers incur when ATMs are categorised as protected and suggested that Protected ATM premiums may not always fulfil their original purpose. While the Low Volume Premium is valuable as a way to support access to cash, the activity levels of some ATMs (for example, in out-of-town retail centres) do not necessarily justify the additional costs that Protected ATM Premium payments entail.
- 4.32** One respondent observed that under the existing definition of a Protected ATM, several existing multi-site ATMs<sup>39</sup>, which are collectively more than 1km from another FTU ATM, do not qualify for protected status. In their view, this disadvantages ATM deployers who prioritise consumer need. These ATMs should therefore qualify for a higher level of interchange.

## Future of SD12

- 4.33** All respondents to the call for views agreed that SD12 should remain in place. Two-thirds believed it would be beneficial for SD12 to be maintained until the arrangements set out in the FSMA23 have been introduced and clarity emerges about their implications. In their view, this approach would allow the PSR to carry out a thorough impact assessment of the changes, before making further amendments to the regulatory regime. This assessment should include consideration of overlaps between the forthcoming legislation and SD12 to determine whether the key elements of SD12 need to continue in some form.
- 4.34** The other third of respondents supported SD12 remaining in place even after the new provisions on cash in the Bill come into effect. One respondent suggested that SD12 should be expanded to provide greater oversight of LINK and transparency on its decision-making, particularly on how it sets the interchange fee and its strategic direction.

## Future regulatory framework

- 4.35** One respondent proposed that the PSR, LINK and the government should do more to secure the FTU ATM network over the longer term. In their view, we should consider access to digital payments and cash in tandem, particularly in order to meet the needs of people in rural areas, where providing a FTU ATM may not resolve all access to cash issues.
- 4.36** A respondent also called for us to work with LINK and the FCA to monitor and enforce cash access, and to make sure that cash access points provide 'reasonable access' for cash users in response to geographic requirements. One respondent encouraged us, along with the FCA and the Bank of England, to provide greater oversight of LINK to ensure that the strategies of its members are clearly aligned to consumers' needs.

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<sup>39</sup> A site where there is more than one ATM is provided by a single operator at the same location.

- 4.37** One respondent suggested that we should expand the Protected ATM Policy to ensure broader protection of cash services. For example, the policy could also cover deposit-taking ATMs, and we could introduce further measures to support the industry to serve cash customers. In their view, this approach would provide better consumer choice and strengthen competition between operators based on demand.

## Our position

### Defined Radius approach

- 4.38** In response to the stakeholder feedback on the Defined Radius approach, we will explore with LINK how best to take into account local conditions and cash use when deciding on providing access to cash. We will also work with LINK to see how other sources of data (for example, on population density, age or socio-economic status) may help to support FTU ATM coverage that better meets people's needs.

### Interchange fees

- 4.39** A number of respondents raised the level of, and process for setting, LINK's interchange fees. We acknowledge the need for LINK's interchange fees to help keep the provision of ATMs commercially viable, while taking account of the declining use of cash.
- 4.40** We have also noted stakeholder calls to expand the scope of LINK's Protected ATM Policy and measures to cover the wider ATM LINK network. While this may improve the transparency of LINK's decision-making, such an approach is likely to increase the overall cost for maintaining the ATM network, so would need to be considered carefully.
- 4.41** However, we will discuss with LINK whether more can be done to increase the transparency of their decision-making process in setting interchange fees.

### Measures to maintain Protected ATMs

- 4.42** As stakeholders have suggested that the Protected ATM Premium may not always fulfil its original purpose, we plan to discuss this further with LINK.
- 4.43** Our view is that LINK should continue to review its financial incentives and interventions to ensure that they remain effective at preventing Protected ATMs from closure or conversion to a PTU model. Given that the offering of the Low Volume Premium and the Protected ATM Premium at ATMs due to close or be converted to PTU was removed in March 2021 during the COVID-19 pandemic, we will discuss with LINK if there is merit in restoring it.

### Measures to replace Protected ATMs

- 4.44** We are aware of the role of the Post Office in providing an alternative source of access to cash in cases where a Protected ATM has closed. We note that a Post Office branch must be open at least five days a week and must be located within 1km of the Protected ATM that has closed to be considered as a suitable substitution. We will discuss with LINK whether any additional criteria, such as length of opening hours, should be taken into account when determining whether to replace a lost Protected ATM.

- 4.45** In light of stakeholder comments about the overall decline in ATMs causing difficulties to vulnerable and older consumers, we have asked LINK how it accounts for such factors in assessing community detriment, when deciding whether to install a new ATM or replace a lost Protected ATM. We are also exploring whether it can publish further detail from their site visits.

### Direct Commissioning

- 4.46** Based on our analysis of relevant metrics and stakeholder feedback, we conclude that the efficiency of the Direct Commissioning process has improved between March 2022 and March 2023, accounting for resolving 46.1% of the ATMs targeted for replacement. This is higher than the percentage reported in March 2022 (40.9%) and March 2021 (27.8%), when COVID-19 restrictions were still in place. However, it may be necessary to consider whether it is financially sustainable over a longer period of time, which will be informed by LINK's forthcoming report on the resilience of the process.

### Future of SD12

- 4.47** The use of cash remains below pre-COVID-19 levels, as digital payment options become more popular. However, these digital payment services do not necessarily address everyone's needs and may be particularly inaccessible for people lacking the digital skills to navigate online, people whose income is low or unstable, and people who find the option of digital payments confusing or potentially harmful. We are exploring how to address those barriers through our work on digital payments, including in response to the PSR Panel's *Digital Payments Initiative Report*.<sup>40</sup>
- 4.48** Having considered the results of our analysis, responses to the call for views and the general trends in cash usage, we have decided that SD12 should remain in place. We will undertake another review of SD12 in spring 2024. At that point, we will assess SD12's role in protecting free access to cash in the context of the FSMA23's changes to the regulatory landscape.

### Future regulatory framework

- 4.49** We have played a leading role in the debate over access to cash for several years. Maintaining access to cash for those who need it remains a key priority of ours. We will work with the FCA to ensure that people who need to access cash can continue to do so.

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40 PSR Panel's *Digital Payments Initiative Report*: <https://www.psr.org.uk/publications/general/psr-panel-s-digital-payments-initiative-report/>

# 5 Conclusions and next steps

**5.1** Based on the evidence we have collected and our analysis of stakeholder responses to our call for views, we conclude that SD12 is working well and should remain in place. Nevertheless, we have identified four areas for improvement, which we have engaged with LINK on:

- Applying the Defined Radius approach in practice, including how best to take into account economic activity.
- Increasing the visibility and the level of detail of LINK's published data on Protected ATM coverage, including decision-making on ATM replacement and updates to the Protected ATM list.
- The transparency of LINK's decision-making on setting interchange fees.
- Improvements to LINK's ATM Replacement Procedure (e.g., reviews of protected status, reinstatement of Low Volume and Protected ATM premiums at closing sites, Post Office criteria).

## Next steps

**5.2** We have already started our engagement with LINK about the feedback received from stakeholders and the findings of this review. We will discuss what further work is necessary and agree any associated timescales in due course. In addition to the four areas of improvement set out in paragraph 5.1, we are particularly interested in exploring the following points with LINK:

- How it can make the information on its website accessible, easier to find and more transparent.
- If there is merit in reinstating the offering of the Low Volume Premium and the Protected ATM Premium as a step in the ATM Replacement Procedure.
- Which of the respondents' proposals highlighted in the report could be implemented, subject to legal restrictions and confidentiality rules.
- Whether it conducts reviews of protected areas to assess if sources of free access to cash have appeared and, if it does not, whether it could consider such a proposal.
- The consideration it gives to the 'conditions on the ground' and the needs of vulnerable consumers when deciding whether to replace a Protected ATM. The outcomes of these discussions could have an impact on LINK's application of the Defined Radius approach.
- If any additional criteria, such as opening hours, should be considered when determining whether a Post Office could provide an alternative source of free access to cash in cases where a Protected ATM has closed.

- 5.3** We will continue to monitor how LINK is meeting its commitments and will engage with LINK directly where we have concerns.
- 5.4** SD12 is due for a second review in March 2024, at which point we will reassess the need for SD12 and LINK's related policies in the context of the provisions made in the FSMA23. We will consult with stakeholders on any broader market developments which may result in changes to SD12.
- 5.5** We will continue to work with the FCA as they assume the lead role in protecting access to cash in the long term, while we retain our role regulating LINK.
- 5.6** We will continue to engage with other stakeholders and industry to develop longer-term solutions to society's ongoing need for access to cash in a rapidly changing environment.

# Annex 1

## Other LINK initiatives outside the scope of SD12

- 1.1** This annex provides an overview of some initiatives LINK has undertaken alongside its Protected ATM Policy to support a broad geographic spread of free-to-use ATMs.

### Retail Centre ATM Policy

- 1.2** LINK defines a relevant retail centre as ‘a group of shops and/or non-retail services that contains 5 or more Relevant Retailers’.<sup>41</sup> If LINK establishes that a relevant retail centre does not have free access to cash, such as a FTU ATM or a Post Office within 1km ‘as the crow flies’, it will seek to install a FTU ATM under Direct Commissioning, unless LINK establishes that there is no need for cash access in the location.

### LINK Financial Inclusion Programme

- 1.3** LINK has had a Financial Inclusion Programme since 2006 which has been focused on improving free access in some of the most deprived areas of the UK. By 2019, over 1,800 communities had a free-to-use ATM that didn’t have one before. LINK does this through providing financial subsidies to operators who operate machines providing free access in those areas. Originally £0.10 per cash withdrawal in 2006, this subsidy has grown substantially over time and, from 1 April 2019, had increased to up to £2.75 for the ATMs that are used least and don’t have another FTU ATM within 1km.<sup>42</sup>

### Community Request Scheme

- 1.4** This scheme has been in place since October 2019 and allows individuals, including members of the public, elected officials and community groups, to request an ATM in their community by filling in a form on the LINK website. The request triggers a review of access to cash in the local area, which may then result in an ATM being installed through LINK’s Direct Commissioning process. In addition, LINK has developed a form which allows anyone to request their local ATM to dispense £5 notes, although fulfilment is not guaranteed.<sup>43</sup> Since the introduction of the scheme, LINK has processed over 4,665 applications (for 3,259 unique locations) and funded 100 ATMs.

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41 LINK, *Retail Centre ATM Policy*, p. 4; <https://www.link.co.uk/media/1523/retail-centre-atm-policy-v3.pdf>

42 LINK, *Financial Inclusion*: <https://www.link.co.uk/initiatives/financial-inclusion/>

43 LINK, *Request Access to Cash Review*: <https://www.link.co.uk/consumers/request-access-to-cash/>

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