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Sir Mark Boleat
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Dear Sir Mark

LINK Interchange Rate Consultation

The Financial Services Consumer Panel is an independent statutory body. We represent the interests of individual and small business consumers in the development of policy and regulation of financial services in the UK.

We welcome the opportunity to respond to the LINK consultation on the interchange fee. Since the outcome of this consultation may have far-reaching implications for the free ATM network and for consumers and microbusinesses, we believe it should have been open for longer. This would have enabled members of the public and consumer groups to feed in their views. The LINK Consumer Council does not represent all consumer interests. We recommend that future consultations should explicitly encourage submissions from all interested parties.

We have a number of comments on the proposals:

- **Taking account of the broader context** - More than 1,500 bank branches have closed in the last three years¹. This increases the importance of the free-to-use ATM network, which enables consumers and microbusinesses to undertake a range of transactions. Banks will have made significant cost savings from closing branches. The consultation should consider these cost savings alongside the cost of the free-to-use ATM network, rather than considering the cost of the ATM network in isolation. The general presumption among LINK members that "the overall cost of ATM provision should be falling" fails to take account of this wider picture.
- **Vulnerable customers** – The consultation fails to consider which groups might be affected by the proposed changes. This is a real concern as low income groups and older consumers rely heavily on cash. 40% of consumers who rely on cash have a total household income of less than £10,000 and almost 62% of those aged 65+ rely on cash for day-to-day payments². The Panel suggests that before proceeding with the proposed changes, further work should be undertaken to consider the impact on vulnerable consumers, as well as wider access and equality issues.
- **Geographical spread of free-to-use ATMs** – the Panel is concerned that the reduction of the interchange fee is likely to create further gaps in the network of free-to-use cash machines. There is no impact assessment, or estimate of the number of free ATMs which may be removed as a result of the proposed changes. In the absence

¹ <https://www.which.co.uk/news/2017/04/mapped-the-482-bank-branches-closing-in-2017/>

² https://www.link.co.uk/media/1064/introduction_to_link.pdf

of such information, the Panel would welcome assurances from LINK that the proposals will preserve the existing geographical spread of ATMs.

- **Identification of consumer detriment** – it is not clear to the Panel how LINK defines consumer detriment, and determines where this will occur when a free ATM is removed. The Panel would welcome further information about this. The Panel notes that consumer detriment can arise not just in designated low income areas but also, for example, in rural areas where a free ATM may no longer be viable under the LINK proposals. Low income consumers living in these areas could be adversely affected by the proposed reforms yet this detriment may be hidden.

Given the concerns we highlight above about LINK's proposals, which have also been voiced by others including the Chair of the Treasury Select Committee³, we recommend that LINK conducts a proper impact assessment to model the impact of the proposed changes. This should include particular focus on the impact of the proposed change on vulnerable consumers and those on low incomes, as well as how microbusinesses may be affected. Until this exercise is undertaken, and our concerns are allayed, we suggest that LINK should pause its plans to take forward proposals to reduce the interchange fee.

Yours sincerely,

Sue Lewis
Chair, Financial Services Consumer Panel

³ <http://www.parliament.uk/documents/commons-committees/treasury/Correspondence/2017-19/Chair-Sir-Mark-Boleat-ATM-271117.pdf>