

PSR CP19/5: Considering the Incentives to Deploy Free-To-Use ATMs in the LINK Network

UK Finance Response

Date: 05 July 2019

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UK Finance is the collective voice for the banking and finance industry. Representing more than 250 firms across the industry, we act to enhance competitiveness, support customers and facilitate innovation.

We welcome the opportunity to input on the structuring of the LINK ATM interchange fees and appreciate the consideration that the Payment Systems Regulator (PSR) is paying, through this consultation, to the current concern regarding the wider public desire to maintain low-cost and effective access to cash to consumers.

This consultation takes place at a time when there is wider consideration of what reforms may be necessary in order to secure reasonable access to cash for those who continue to use it in a cost-effective way. We are supporting several pieces of work designed to help address this concern and, in our statement of 12 June 2019,¹ committed to working with the recently established Joint Authorities Cash Strategy Group (JACS).² We said more detailed work is required to understand the future cash needs of local communities, in particular remote rural and urban deprived communities, and to design a system which addresses how their needs can best be served quickly and efficiently should an access problem emerge. We are also working with the Bank of England's Wholesale Distribution Steering Group (WDSG) on how to develop a new end state model for wholesale cash distribution.³

Over the summer we will engage with consumer and local authority representatives alongside market participants, including LINK and its members, to:

- map the range of channels through which consumers can access cash (e.g. bank and building society networks, Post Offices, ATMs, merchant cashback);
- consider the potential of a number of industry pilots already underway to deliver new options for cash provision;
- develop an approach for how industry could work with local authorities to help communities to identify and report gaps in cash provision;

¹ <https://www.ukfinance.org.uk/press/press-releases/uk-banking-and-finance-industry-commits-support-local-communities-free-access-cash>

² <https://www.gov.uk/government/news/cash-here-to-stay-as-government-commits-to-protecting-access>.

³ <https://www.bankofengland.co.uk/news/2019/march/boe-welcomes-access-to-cash-review>.

- develop a definition of industry's commitment to customers and communities in terms of the "appropriate provision for free access to cash";
- consider how this new approach could involve the creation of an independent body with responsibility for responding to access to cash representations and coordinating and facilitating appropriate industry action; and
- work with LINK, the Post Office and the Payment Systems Regulator (PSR) to identify ways in which the existing commitments and delivery against them, can be developed and improved.

The PSR's examination of the interchange fee structure is another part of the wider investigation into how to support access to cash in the future, relating to the principal way in which customers access cash. We are supportive of this work, but it is difficult to analyse the structure of interchange in isolation and we recommend that the PSR take into consideration other programmes looking at the future access to cash. In addition, UK Finance consider that an economic assessment of any changes to the interchange fee should be undertaken during the investigation period.

While we do not hold any data that gives us an insight into the best way to structure the interchange fee, we look forward to continuing to work with the PSR on future access to cash.

If you have any questions relating to this response, please contact Austin Elwood, Payments Policy Manager (austin.elwood@ukfinance.org.uk).

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