

Scottish Affairs Committee

Oral evidence: [Access to Financial Services](#), HC 1996

Tuesday 2 April 2019

Ordered by the House of Commons to be published on 2 April 2019.

[Watch the meeting](#)

Members present: Pete Wishart (Chair); Deidre Brock; David Duguid; Hugh Gaffney; Christine Jardine; Ged Killen; John Lamont; Paul Masterton; Tommy Sheppard; Ross Thomson.

Questions 68 - 134

Witnesses

I: John Howell, Chief Executive, LINK, Eric Leenders, Managing Director, Personal Finance, UK Finance, Ron Delnevo, Executive Director, Europe, ATMIA.

Written evidence from witnesses:

- [LINK](#)
- [UK Finance](#)

Examination of witnesses

Witnesses: John Howells, Eric Leenders and Ron Delnevo.

Q68 Chair: Welcome, and thank you very much for attending this session today in our short inquiry into financial services in Scotland. For the record, please say who you are, who you represent and anything by way of a short introductory statement, starting with Mr Delnevo.

Ron Delnevo: To introduce the ATM Industry Association, some people think that we represent independent ATM operators. We do not. We have members among the major banks of the planet, including HSBC, BNP Paribas, La Caixa, Bank of America. We also have Visa, Mastercard and China Union Payment Systems as members. We don't represent any one group. We have members in all of those spheres of financial services.

Speaking to you this morning, we are very concerned about what is happening in Scotland, and in the whole of the UK, about access to cash. We feel that access to cash is being strangled off and we need to have steps taken immediately to ensure that there is proper access to cash going forward. We are not heading towards a cashless society, although that is some maniacs' dream, and we need to see corrections or people will be forced to stop using cash, which is not a good thing in a democracy.

John Howells: Good morning. I am John Howells. I am the Chief Executive of LINK, which is the main ATM network in the country. It joins ATM and cards so that you can go and use your cards at any ATM. About a year and a half ago LINK became seriously concerned about the situation with cash, not just ATMs but the whole cash value chain in the UK. We still have that concern today and I agree with Ron that cash is very important for UK consumers. We are not ready to go cashless in Scotland or any other part of the UK.

The action that LINK has been taking over the last year and a half has been to defend and hold together the ATM network. At the same time as we took those actions a year and a half ago, we commissioned Natalie Ceeney to conduct a thorough and comprehensive independent Access to Cash Review, which has just reported, because we think that LINK can hold it together for only so long and it needs more robust intervention, probably from regulators. We are very pleased that Natalie Ceeney is recommending that and we agree wholeheartedly with her recommendations. They need to be picked up and acted upon or we are going to have a problem with cash, not just ATMs but across the full value chain in this country, which would not be good for consumers.

Eric Leenders: My name is Eric Leenders. I am the Managing Director responsible for personal finance at UK Finance. UK Finance is a trade association and it has common membership with the organisations of Mr



HOUSE OF COMMONS

Delnevo and Mr Howells. We, too, are supportive of ongoing access to cash. However, we also recognise that the use and pattern of use of cash is changing and I am sure we will come on to discuss that in further detail during the conversation.

Q69 **Chair:** Thank you. Mr Howells, this is the second time you have been at our Committee to discuss these issues. I think the last time you were here you told us that you thought there would be between 50 to 100 ATM closures as a result of the changes. The number is 290. What has happened?

John Howells: As a result of LINK's change, there have been about 100 closures. However, we have also seen an enormous reduction in usage of cash by consumers and that reduction is going to continue. What worries us is that when you have a massive and expensive network of ATMs, plus all the other things that make cash work in the country, and you have what is looking like a 10% reduction in cash usage every year, the current system cannot hold together without reform. It is that reform that is needed.

What we cannot do is move to no cash in this country and we face a very difficult position if we just sleepwalk into a position where the existing infrastructure falls apart and we suddenly find that we cannot provide cash. Inevitably, it will be quieter rural and more remote areas that are hit first and that is not acceptable. What we need is a thorough review of the cash infrastructure to hold the thing together.

I am completely happy that the changes LINK made about a year and a half ago to the so-called interchange to keep the thing stable have worked, but I am equally happy that they will not work going forward without a different and new approach. I think that same risk applies not just to the bits that are visible to consumers, like ATMs, but also to the not so exciting stuff like the vans that move the cash around and the bulk cash centres. The whole structure has a massive fixed cost built over the last 400 years and shared out between 40 or 50 competing companies. It cannot be allowed to continue like that because it will fall apart.

Q70 **Chair:** I want to explore some of these issues, but we had Which? here last week who gave us quite compelling evidence that said the interchange fee reduction had accelerated the closures. Are they right in that assessment?

John Howells: The change that we have made to interchange has reduced the number of ATMs in busy city centres. We have increased interchange by up to tenfold in rural and remote areas. I am happy that the footprint in ATMs today—and I am going to keep reminding you that I am not happy about it going forward—in Scotland and the rest of the UK is broadly satisfactory and that we have actions in place to deal with that today.

Q71 **Chair:** I can see Mr Delnevo shaking his head here.



Ron Delnevo: I appeared on an edition of the “Money Box” programme in December 2017 with Victoria Cleland from the Bank of England. I said that the changes LINK was making would decimate the ATM and cash services in this country and she said I was scaremongering. Since then we have lost 10% of ATMs in this country and thousands more are switching to charging. When I say thousands more, one major operator is switching between 4,000 and 5,000 ATMs to charging as we speak and another operator is going to have to do that in the next few months unless we do something about the interchange reductions. The point is that what I said is coming to pass, but we need actions now. We need actions to make sure that there are no further cuts in interchange and to ensure that there is a full review of the transparent calculation of interchange so that it is set at an economic level.

The interchange in this country is the lowest per transaction in any country in Europe. We do not have an expensive system. In Switzerland, where the Swiss National Bank has its perfect payment choice, including through cash but also wearables and digital, it has ATMs that are half as busy as our ATMs but it is not saying it is too expensive and it has to remove the ATMs. There is a huge conflict. We are the only country in Europe where we are saying we have to do this. I met with the National Bank of Spain two weeks ago. These are confidential figures and I cannot release this document to you, but it shows that in Spain the number of ATMs is going up again because the public need them. They, like us, have suffered bank branch closures. We are in a uniquely bad position and the public are not being served.

Q72 **Chair:** Thank you for that. Where do you stand in this particular fight here, Mr Leenders?

Eric Leenders: We very much support the independent review by Natalie Ceeney. That drew out the need for ongoing access to cash. It also drew out a very important point about the ongoing availability of outlets where one can spend cash. Equally important, as Mr Howells has already identified, is that we consider the distribution of cash, the wholesale supply of cash. It is those key areas that we are actively considering within UK Finance.

However, I did mention that the pattern of cash and cash usage is changing and there is no doubt that we use cash less than we did 10 years ago and we are likely to use it less in 10 years’ time. That does not mean that we should not continue to provide an infrastructure or that we should drive customer choice. Customers should be free to manage their money how they choose and if it is with cash, that is absolutely fine. It does mean, however, that we need to think about the footprint of our opportunities to access cash and we also need to think about the wholesale distribution of cash that sits behind it.

Q73 **Chair:** Mr Howells, you said that the ATM closures were in areas that have been over-served previously. Is that where all these closures have happened? I have noticed that there have been closures in my rural



constituency and I am pretty certain that some of my colleagues around this table would concur with that.

John Howells: Yes, so far. Maybe not going forward but, yes, so far. Ten years ago there were 40,000 free ATMs in the country; a year ago there were 55,000. I think that growth was not right and at a time when consumer usage of cash was going down, going from 40,000 to 55,000 was not helpful. The changes we have made, along with the reduction in cash usage by consumers, have brought it down to 52,000 in the last year. I think that needs to be more. I agree with Ron that there is more to come and at the moment the closures are predominantly coming out of busy city centres. In the centre of Glasgow there are 53 machines within 400 yards of each other. That is too many. I do not have a problem with that dropping to 40 or 30.

What I would have a problem with is any single rural or remote area being stripped of its free-to-use cash access. It is unacceptable to move in this country to a position where we can get access to cash only if we pay £1 or £2. That is a lot of money for many people so the changes we need to make as a country need to preserve free cash access through ATMs or maybe Post Offices. I appreciate where Ron is coming from. Preserving free cash access is what we are about, not preserving 50 ATMs in the city centre of Glasgow.

Q74 **Chair:** We will discuss this in more depth in the course of this session. Mr Leenders and Mr Delnevo, what do you think is the impact of ATM closures on vulnerable customers and communities in rural or deprived areas?

Eric Leenders: We absolutely recognise the need to support vulnerable customers. When we look at who uses cash to manage their money most—I have some details on an infographic that we can share with you after this session—it is very clearly those on lower incomes. It is also, at least anecdotally, those who are older and more familiar with using cash, and we see no need for that to be discontinued in any way.

The declining pattern in the use of cash, though, is the other tension within this. In Natalie Ceeney's report, she considered points of presence such as ATMs, bank branches, Post Offices or points where cash might be accessed, which is an important consideration. It does not necessarily have to be a single particular point of presence. It should be a combination of distribution within those communities that ultimately, I would argue, is much more sustainable, when we couple that with innovation—that we will likely come on to talk about as well—to provide a greater opportunity. However, we need to maintain the availability of cash outlets or retailers who maintain cash outlets and we need to think about that debate as well.

Ron Delnevo: I do not recognise the description of the situation that we have lost ATMs from busy city centres. The bottom line is I have an article here about Burslem near Stoke, a town of over 20,000 people, and



HOUSE OF COMMONS

it lost its last free cash machine. It did not have lots of free cash machines to lose; it had the one and it lost it. If you go to towns and villages in Scotland, they have one or sometimes have none and they certainly cannot put up with them being switched to charging, but that is going to happen.

The switch to charging, by the way, is affecting the independent retailers, which is even more worrying. Nearly all of the ATMs that are being switched over are independent local retailers. They are going to be disadvantaged because the big supermarkets will still have free cash but they will not be able to have free cash. They will have to charge because the machines are no longer economic.

We are seeing this all over the country. I put in three ATMs in Brighton station when I was operating as the managing director of a company. Those ATMs were averaging 25,000 to 30,000 free transactions a month. The cut in interchange has made those ATMs uneconomic to operate as free machines because the margins are so low and basically they are being switched to charging. They are losing probably 20,000 to 25,000 transactions a month; 20,000 to 25,000 people are no longer getting the cash that they wanted because they are now charging. There are some serious issues here.

Unfortunately, Natalie Ceeney is a nice person but we needed Boadicea and we got Boy George. There is no conviction here, "Yes, it is good if people accept cash. Let's all get together and discuss how that can be agreed because of the moral integrity of all the participants". The People's Bank of China just announced that it is illegal for retailers not to accept cash. In states all over America local governments are saying, "No cashless, we're not having it". San Francisco has just said to Amazon, "We are not having your cashless stores here. It is against the public interest". Norway is strengthening its laws against the so-called cashless society. We need laws here to protect the people. Talking about it and relying on the morals of the participants is not good enough. We need politicians to act in Scotland as the Government and here at Westminster to have laws to protect the public. It will not be done through gentlemen's agreements and meetings in smoke-filled rooms.

Q75 Chair: We will come on to some of the regulatory issues because this is something that interests the Committee and we had a kick around of this last week with some of our guests. I think we are all accepting and all the evidence shows that more people are using digital facilities and all types of different arrangements for their banking now, but there is also a sense that a lot of this is being driven by the banks and the providers who are moving us towards a cashless society. Is it your view that we are being pushed maybe a little bit too hard towards the future cashless society or is this just a meeting of demand for where the public are and what they want? We will start with you, Mr Leenders.

Eric Leenders: I am not sure if it is declaring an interest but the chairman of the Payment Systems Regulator and Financial Conduct



HOUSE OF COMMONS

Authority spoke very compellingly and eloquently at a retail banking conference about a case study that happened to be Burslem and we have taken his points to heart. I would not want that to be missed. I live in Brighton and while I absolutely recognise that the ATMs at the main station are now charging, I would contend that Brighton is not underserved in the context of ATMs more generally.

Turning to your question, the card that one can take cash out with is also the card that one can undertake contactless transactions with. There is no doubt that that convenience is something that the vast majority of the population recognises. We see that in the numbers. For example, last year card transactions overtook cash transactions for the first time and we anticipate that trend to continue. Naturally, it is worth calling out the security benefits of paying by card relative to cash. If one loses a purse or a wallet with cash in, largely it will be gone. At least one has the opportunity to stop a card and equally would have the opportunity for a refund of any unauthorised transactions. There are certain benefits to the use of cards.

I think that what we are seeing is very much demand driven rather than supply driven. If one looks at the pattern of uptake of contactless cards, it took a long time—perhaps arguably it was not until Transport for London adopted contactless—for the volume of transactions to take off and now it seems to be pretty much on a 45-degree trajectory.

John Howells: What worries LINK is that in a village with a Post Office, a branch, an ATM and a retailer, each of those organisations is doing its own thing and thinking competitively. What happens is that all three decide to close and that is where we see the problem emerging. It is not complicated to imagine a world where, if there was co-ordination from somewhere, perhaps with regulatory help, which I think is needed here, the village keeps the Post Office or the branch or an ATM or some combination and consumers continue to use cash. While I can see that consumers are using digital, and that is the same in Scotland as it is in the UK, forcing them to use digital by closing cash access is not a good thing for this country to move to. I think we risk that because there is no co-ordination with the Post Office and the ATM and the bank at the moment.

Ron Delnevo: There has definitely been a push towards this cashless situation. Cashless is a nonsense. It is a PR company's creation. When you are going by car you don't say it is a bicycle-less transaction or when you are flying that it is a car-less transaction, do you? Cashless is a word invented by the anti-cash brigade and they are firing it through newspapers with massive PR budgets to try to persuade people that cash is old fashioned. Contactless is old fashioned. It was introduced first in Hong Kong 22 years ago. The idea it is some new-fangled wonder that we all have to kneel before and worship is a complete nonsense.



HOUSE OF COMMONS

What we are seeing is ATMs being closed down. Four of the five big banks in this country removed almost 2,000 ATMs in the period October 2017 to 2018. That is why transactions go down. I was near Bookham in Surrey where Lloyds Bank closed its branch and took away its ATM. A local councillor said people are moving to use cards because they no longer have a bank to go to and no longer have a bank ATM to use. They see themselves as being forced. There are other ATMs in town but, believe it or not, a lot of people still like using a bank ATM. If there is no bank ATM, you don't take cash out and you are forced to use cards.

Q76 John Lamont: I want to pursue Mr Howells a bit further. The Chairman touched on this earlier. You estimated previously, before these changes to the fee, that between 50 and 100 ATMs would be lost in Scotland and the actual figure was 290. This Committee has had evidence from Which? that shows that more ATMs proportionately were lost in rural communities compared to urban areas. From what you were saying earlier, I think you were disputing that. Are you saying that the Which? evidence is wrong?

John Howells: I think that the majority are closing in urban areas. We look at that and I am happy that that is accurate. There are some closing, about 10%, in rural areas and that is why we have a programme of premiums and ultimately will replace the ATM if necessary. On your point about whether they are closing at a faster rate than our estimate, yes, that is the case and that is because the usage of cash, and therefore of ATMs, over the last year has been higher than expected. We thought it would be about 5%. The volume of transactions going through LINK ATMs is 10%; that is twice as high. That is consumers using those machines substantially less than expected and that is concentrated initially in the south of England. A year ago Scotland was dropping at about 3% or 4% but Scottish consumers are also switching away from cash at an accelerating rate and that is about 6% or 7% at the moment. That closes more ATMs, which is why we are taking the action we are to protect the rural and remote ones.

Q77 John Lamont: Are Which? correct?

John Howells: Yes. I agree with Which? broadly.

Q78 John Lamont: I am trying to work out why you miscalculated so seriously this trend of moving towards cashless. That is the argument you are presenting for why ATMs are in decline, which I do not accept given my own constituency and the small communities that are completely dependent on cash and yet these cash machines are being lost. I do not quite see the link-up there. Why did LINK not pursue that trend?

John Howells: We have been surprised by how rapidly consumers are turning away from cash across the country.

Q79 John Lamont: You say you are happy with where things have got to now, despite the fact that 290 ATMs have been lost. What do you say to my constituents and all the other small communities across Scotland who



HOUSE OF COMMONS

have lost ATMs about the impact it is having on the local high street because of the decline in footfall and trade because you have made changes with the consequence that ATMs have been lost?

John Howells: I am happy to check your particular local circumstances, but according to our very careful observation of what is going on in Scotland, no high street has lost free cash access during the last year and a half. Even where ATMs have switched, there will be another one within a kilometre or there will be a Post Office that is providing free access to cash. That combination of Post Offices and free ATMs is what we are committed to defend. I accept that a Post Office is different to an ATM, but I would argue strongly that it is a more than adequate substitute. I think that it would be a mistake for LINK to be subsidising a free ATM when the sub-postmaster next door is trying to earn a living out of also giving free access to cash.

I am not aware of anywhere but I am happy to check your constituency and do something about it if we have missed something. There should be nowhere that has lost free access to cash at the moment. The risk is there going forward, but I do not believe that is the case now.

Ron Delnevo: It is pitiful, isn't it? One closes down but there is one within a kilometre. That is so convenient, absolutely convenient. There I was in South Queensferry, Clydesdale Bank, "This branch is closed. Go to Davidson's Mains". Then they close down the Davidson's Mains branch. It is not a service. We need more than one free ATM anyway. You are talking about massively long high streets but one ATM at one end is not enough; it just is not.

If you talk about subsidising, ATMs were brought in to save banks money so that people would not go to the counter and maybe buy insurance and mortgages and so on from bank staff. Now we are being told that this thing that was brought in to save them money cannot be afforded. It is complete nonsense. We are the only country in the world that is going through this. We have lost all of our bank branches. In America, Chase Bank has announced that they will give advantageous terms to people who go to their branches whereas in this country we open bank accounts or the banks create bank accounts where you get no branch access. Then they say nobody goes to their branches anymore.

This is a plan that has been in progress for many years. I have been involved with LINK since 1998 and I can tell you that the plan was in place then and it has been moving on and on. In 2007 I was a director of the UK Payments Council and a guy called Mark Fisher, who was a director of Royal Bank of Scotland, announced at the first board meeting that he did not want ATMs. He told his colleagues at the bank he did not want ATMs. Why didn't he want ATMs? He didn't want cash. That was 12 years ago. This is a plan.

One more comment. Sweden did not sleepwalk into being a nearly cashless society. It was a plan and that is one of the big mistakes of this



report, thinking that these things are cock-ups. They are not, they are conspiracies.

- Q80 Christine Jardine:** Following up on the point about Post Offices, Mr Delnevo picked up on something I was going to raise, which is South Queensferry and then Davidson's Mains, both in Edinburgh, losing Clydesdale Bank. The closest one to South Queensferry now is in the city centre. Moreover, the Post Office in Davidson's Mains has a Cashline LINK machine in it for free cash. However, it is not open 24/7 and rural communities have this problem all the time. If you want cash in a rural community and you have to go to the Post Office, you have to go during Post Office opening hours. The beauty of an ATM is that it is there 24/7. I talked about this last week. Are we creating a two-tier society where if you are in a rural community you do not have access to cash when you want, you have it when it is convenient for the Post Office because it has opening hours? If you live in a city you can go half a mile down the road to an ATM. Do we have a fair balance?

Ron Delnevo: No.

John Howells: I think it is an excellent question. I am going to keep differentiating between now and the future. At the moment, our data shows that over 95% of places where the free ATM goes and the Post Office is being relied on instead, that ATM was not standing through the wall 24 hours a day. It was in a convenience store that was doing normal trading hours. In those circumstances I think that the Post Office is a better choice because one of the advantages of the Post Office is it has a professional cash delivery, it is not filled from the retailer's tills, which is what is happening in most quiet places in a retailer, and you have professional Post Office staff who are dedicated and focused on it. For those locations, I think that is an acceptable switch and it should not be that people are losing 24-hour access, because they did not have it beforehand.

I think that your bank branch example is a more interesting one. I am not sure I am comfortable with switching a 24-hour through-the-wall service in a rural village where you have an early market or whatever for a part-time one.

- Q81 Christine Jardine:** Can I pick you up on what you just said there? You said it is acceptable not to have 24-hour access if you did not have it before but it is not acceptable to lose it. Surely that is the wrong way round. Surely it is not fair to say that in a rural community you always have to think before 5 o'clock the night before whether you have cash for school in the morning and make sure they have not forgotten to tell you about a school trip that they need money for, whereas in a city you have been able to pop to the Cashline machine at 7 o'clock in the morning. Is that not basically unfair?

John Howells: I think that is an excellent point. I am not sure it is one that LINK can do anything about, but it is an excellent point.



Q82 Christine Jardine: I think that it is one that LINK can do something about, frankly. If we are going to have ATMs, that is exactly the sort of situation that it should be addressing for communities where they do not have access to cash when they want it. I have access to cash 24 hours a day and I never use it because I live in a city where I can use my phone or my contactless card for everything, but when I am in a rural community—and I am a lot of the time—I cannot do that and cash is not available 24 hours a day. Should they not have the priority?

John Howells: I think I understand the point, but it is not something we are planning to look at at the moment.

Ron Delnevo: That is why the ATM was invented. John Shepherd-Barron, a Scotsman, invented the ATM so that cash could be made available outside bank opening hours, so you have made a brilliant point. We are now going back to pre-ATM days, “Don’t worry about out of hours. Just make sure you get here when we want you to get here because that is the only way you will get cash”.

Q83 Tommy Sheppard: I wanted to ask a question about five minutes ago, because I am not sure I am buying this narrative that we are getting from the industry that this is an industry that is doing its best to cope with changing patterns of customer behaviour and in the interests of progress and modernity there is unfortunate collateral damage being inflicted on some people who are not exhibiting these changes in behaviour and that is just something we will have to live with. In my own example, and I think my profile of retail activity is reasonably typical, I did not ask for a contactless card. I was given it. I didn’t particularly want to use one, I don’t want to use one. I stand at my local Tesco hoping to be served by a human being and eventually, after being forced to queue so many times and seeing the machines empty, I am forced into using these. These are machines that are card only. You cannot use cash in them.

It seems to me that there is a very conscious policy by large retailers, backed up by the industry that supplies them, to make us shift away from cash, whether that is convenient or not. I think that those who are providing these machines ought to provide some kickback against that. The main concern should be what is convenient for the public, not what is convenient for the retailers. Is there any evidence, do you have any surveys or opinion research from among your customers as to what they want, as opposed to what they are obliged to do?

John Howells: I am not sure that I can comment on whatever card companies are doing, but I can confirm that there is no way in this country that we are going to be ready to go cashless in my lifetime. Regardless of what is going on out there with things like contactless cards or bitcoin, nothing to do with LINK, we need to maintain free access to cash. We need a plan in this country because until a year ago we did not have one and that is what we see as LINK’s role. On contactless cards, our view is that what will happen will happen, and we need to maintain



HOUSE OF COMMONS

cash access for free right across the country until the last person stops wanting to use it.

Q84 **Chair:** I think Mr Sheppard's point is really good and I would like an answer from UK Finance on this. Nobody asks for any of this stuff but we keep getting provided with it. What is the evidence to show that this is exactly what the consumer wants?

Eric Leenders: I think the points that have been made very much underscore the earlier comments that I made that absolutely we need to look at how cash is distributed and how customers can continue to use it. With a card you have options: you can use cash; you can use contactless; you can use chip and PIN; you can use chip and signature in certain circumstances if you prefer not to use those other facilities. There is quite a lot of flexibility in that one type of payment.

I hear the point that in certain circumstances the ability to use cash to pay is potentially quite challenging. That is why I think innovations such as Visa and Lloyds Bank piloting cash back in smaller retail outlets is very interesting because that then puts the shopper in the shop with the payment mechanism and the choice of payment mechanisms that I have just stepped through. That perhaps helps with the community trade and also, in the context of retailers at least, would potentially obviate the need for the additional step to go to an ATM and at the same time provide the extra cash for the school trip and so on. I am quite encouraged by some of the innovations that are breaking on the market and some of them might address some of the points that have been raised by the Committee.

Q85 **Deidre Brock:** This is a follow-up to Ms Jardine's question but it is an example in a remoter rural area specifically relating to my parents-in-law. The two nearest towns to them are 10 miles away and both had their ATMs, which were in the walls of banks, closed. There is a Post Office in one of those towns now that supplies them with money but I have quickly checked their opening hours and they are 9.00 am to 5.30 pm Monday to Friday, 9.00 am to 12.30 pm on Saturday, closed all day Sunday. They don't have access to money and it is a 56-mile round trip to Golspie for my 77 year-old mother-in-law to get 24-hour access to cash and the other closest is Tain. Were you suggesting, Mr Howells, that in those sorts of situations you will be revisiting the 24-hour access to cash for people? At the moment, I think that sort of situation is really untenable. I do not see why remoter rural areas should be made to suffer that kind of inconvenience.

John Howells: The research we have had done most recently by Professor Russel Griggs says that where you have a choice between a Post Office, an ATM and a convenience store in a community, it is the Post Office and the convenience store that should be the focus. No, LINK is not planning to subsidise an ATM at the expense of those two locations when you have them operating together. We are going to be favouring the Post Office as the free access to cash in those locations.



HOUSE OF COMMONS

Q86 **Deidre Brock:** But there is no access to cash on Sunday at all, nothing, and nothing on Saturday afternoon. People still go shopping on the weekends, so I do not understand how you can justify that.

John Howells: That is the position we are taking and we think it is right to support the Post Office and the convenience store, not subsidise an ATM in those locations. As I said earlier, the research we have also shows that it is in all the cases we can see a convenience store ATM that is closing or switching to surcharging and that does not provide—

Q87 **Deidre Brock:** Forgive me, Mr Howells, but I have just given you a real-life example of where it is not working.

John Howells: I am very happy to look at that if you have the specifics. I will go and have a look at that, because we need to make sure that is protected.

Ron Delnevo: But there are thousands of specifics around the country. On the super premium that LINK announced, only one journalist—Sam Brodbeck of *The Telegraph* and he should get an award—identified the nonsense of it. We spoke to Peter McNamara who operates about 12,000 ATMs and he said it was a publicity stunt. When I spoke to him last night, he said he reckons out of his 12,000 ATMs, three ATMs will benefit from the super premium—[*Interruption.*] No, don't tell me what he said. I know what he said. The bottom line is that these things are PR stunts and you are absolutely right, that is a disgrace.

Let me tell you something about the Post Office. In 1999, Woolwich Building Society won a contract from the Post Office to put in ATMs at thousands of Post Offices. Barclays Bank took over Woolwich and they didn't go through with the contract. If the banks are wanting to help Post Offices, they should have done it 20 years ago. Don't tell us now that we are going to rely on Post Offices for our cash supply. It is complete and utter rubbish.

Eric Leenders: I have a point of correction so that we are clear on the context of the relationship between banks and the Post Office. Two or three years ago a contract called the banking framework was negotiated through the then British Bankers' Association. That allowed homogenous access to cash: pay in, pay out, cheques in and out, and for smaller businesses change given or cash exchanged for floats for the till and so on. That agreement stretches across 28 different brands providing personal current accounts and 14 or 15 providing business current accounts. That has recently been renegotiated.

I am afraid I have to take issue with the fact that the banking industry is not supporting or working in a very constructive partnership with the Post Office. I would be happy to provide, or I am sure my colleagues in the Post Office would be happy to provide, more factual detail on that if that is helpful to the Committee.

Q88 **Chair:** Who funds the building work to make an ATM in a shop available



HOUSE OF COMMONS

for 24/7? Who pays for it?

Ron Delnevo: The ATM operator pays. Let's be honest, they are the only ones installing them now. They pay for it.

Q89 David Duguid: I have a very quick and I hope easy question to answer, which is based on the analysis and research in rural Scotland in particular. When you are looking at a particular town such as my home town of Turriff, through the year it is relatively well covered by ATMs but there is one time of the year when it holds the largest two-day agricultural event of the year—sorry for the plug—the Turriff agricultural show where very often the ATMs run dry or certainly there has been a problem in the past. Does that factor into the analysis of peak events such as that? Is it taken as a flat line, as an average, or do those peak events factor into how much coverage there should be?

John Howells: That is a good question. LINK sets the interchange price and then the individual stores, locations, decide if they want an ATM and how they get it filled up. We are not monitoring that centrally. It is a competitive market, so the interchange is a really important feature of that because the reason you go and spend extra money to make sure your machine is full at a busy time is not just for the convenience of your customers. It is because if it runs out you stop getting income, so there is a connection there. There is no central brain looking across the UK. It is completely competitive and every one of the locations is doing its own thing, so things like interchange are very profoundly important.

Q90 Hugh Gaffney: We have had some quotes this morning about professional Post Office staff, and banking helping the Post Offices. Talking to the postmasters, that is not the case. The banks have put it all on to the post offices. All of a sudden the post office is a wonderful thing, which I wish it was 20 years ago. We could have saved jobs and stopped post offices closing. Banks are putting it on to the postmasters, but the postmasters are not getting the same money that the bank got. They are getting less money for handling more and more cash. Who is running the system? The banks are running the system and charges are being added on to ATMs.

ATMs are not without fault here either. In the area I stay in, I have noticed more and more ATMs are starting to put charges on now. People who are looking for cash are getting charged £2 for £10. That it is £2 out of £10 is the banks' fault as well. They have to look at this more seriously.

I love the post office staff, they are professional and doing the best they can do, but they are handling more money, have more work and they are getting paid less. Does anyone have anything to say about that?

John Howells: I will repeat the point about ATM charging. I agree that that would be unacceptable. You cannot have your money going out for charging because you are forced to go there. I will leave the relationship between banks and the post offices to Eric Leenders to talk about,



HOUSE OF COMMONS

because it is nothing to do with LINK, but I do agree with your point about charging. If there is a free one around the corner that people can go to, I think the charging machines have to be tolerated. I do not particularly like them but it is not within my power or anyone else's power to turn them off.

Q91 **Hugh Gaffney:** Three different parties have said, and I will highlight it as well, that ATMs in rural communities are starting to charge for people withdrawing money and it is not available 24/7. That is not good enough when banks are closing.

Ron Delnevo: You are absolutely right. I will make a pledge to you. If they reverse the 10% cut in interchange, I will get my independent members to switch every single machine that has been switched to charging back to free in this country in six months or I will resign. That is my statement. Give the 10% back. That 10% cut has forced them to charge because they were uneconomic in Brighton and everywhere else. Give the 10% back and those operators will switch them back to free. That is my commitment.

Chair: We don't need to make commitments, just answer questions when we are here.

Ron Delnevo: We need commitments. We need big commitments.

Q92 **Ged Killen:** That brings me nicely on to my question. We are back to you again, Mr Howells, I am afraid. You said earlier that you are satisfied the changes that LINK has made have worked, but you have cancelled the third planned reduction in the interchange fee and you are reviewing the fourth reduction. Can you give us an update on the fourth reduction? If it has been a success, why is it under review and what are you basing your decision on?

John Howells: We have taken 10% off so far and we have given 2.5% back and then there was a third reduction of 5%, which we have cancelled, so we are 7.5% down. There is a fourth one in about a year and half's time, which is under review. We look at it all the time but we probably expect to announce our decision on that at the beginning of next year. I am not sure that I agree that the 2p we have taken off justifies the imposition by the operator of a 95p charge on an unwilling retailer, by the way, but that is a separate question.

Ron Delnevo: It is a margin issue, not 2p. It is margin. You are pretending.

Chair: We are asking questions here and I know you are very enthusiastic in your responses, Mr Delnevo, but if you could wait until you are addressed by members of the Committee it is helpful for us so that we get the information that we require from this inquiry.

Ron Delnevo: I will. I apologise.



HOUSE OF COMMONS

John Howells: In general, I have a separate worry when I see retailers being forced to take an ATM that is charging 95p. Retailers should not be forced to take an ATM, let alone be forced to charge or not. That should be their decision, not anyone other than them, but I think that is a separate issue from interchange. The specific answer to your question about number 4 is we are looking at it all the time and we will announce probably the middle of next year.

Q93 **Ged Killen:** If this is working, as you said earlier, why is the next cut under review and why has one cut been cancelled?

John Howells: The one that has been cancelled is because the decrease in usage by consumers of ATMs, rather than being 5% a year, is 10% a year. The way the economics works is that the usage also has an effect on how much revenue goes through. By the consumers using ATMs 5% less, that meant that us taking off 5% was not necessary, so we cancelled number 3. Number 4 will depend on what consumers continue to do and that overall footprint, so that one is under review.

Q94 **Ged Killen:** Mr Delnevo, I can guess your answer to, "Should the fourth reduction go ahead?" is no. Mr Leenders, do you have a view on the fourth reduction?

Eric Leenders: With respect, I think it is very much for LINK, as the responsible organisation, to make sure that the tariffs that are applied are reflective of use. If there is to be further review to ensure that an equitable tariff is applied, that has to be the way forward. I think that what Mr Howells is articulating was an equitable approach, a numerical approach at least, to the tariff structure.

Q95 **Ged Killen:** Are there any circumstances or have you given any consideration to reversing the cut so far that has already occurred?

John Howells: Yes, definitely. There is no one-way direction here. The objective of LINK is to maintain the geographical footprint, not the number, so we are looking to see the numbers come down in city centres, but to maintain that footprint. If that footprint started to not be maintained, interchange has to be set at whatever it takes to maintain that footprint. If that means an increase, then that will be what happens.

Q96 **Ged Killen:** Mr Leenders, what financial savings have your members made from the reduction in interchange fee?

Eric Leenders: I am afraid I do not have that number to hand, but if we have it available, then we would be happy to share it with you. I do not know if that is available.

John Howells: I can answer that. Interchange was £700 million a year and we have taken 10% off, so that is going to be about £70 million shared out by the banks that were paying, coming away from the ATM industry. As that is matching the general decline in cash usage, then that is broadly what we are expecting to happen.



Q97 Ged Killen: Doesn't this shift the balance of the equation away from the banks towards consumers? If we are heading towards a cashless society or cash-free society, surely the banks are the long-term beneficiaries of that change. Isn't this cutting the interchange fee just passing those costs on to the consumers during that transition?

John Howells: LINK needs to keep banks and ATM deployers in it, because if they leave and go to one of the other schemes—that is their choice, there is no national utility here. If they do not want to be in LINK and want to go and join Visa or Mastercard, then LINK closes. Our view is that that would be a very bad thing, which is why we have taken the action we have done. We need to keep deployers and issuers in. Because there is a lot of money involved, we get a lot of complaints from deployers and issuers, depending on what the level is, but the bottom line is they are all in.

We have only lost one member as a result of the exercise over the last 18 months. If I were to lose a big deployer or a big bank to Visa or Mastercard, that would be a disaster for LINK and we probably would not survive it. We would shut down, and because of the different economics in these competing schemes, half the ATMs in the country would be gone in a year.

Q98 Ged Killen: So the problem here is commercial pressure? If there was a statutory obligation for this funding model to be protected, would that change matters?

John Howells: We are in a commercial environment, LINK, completely. There is no central utility working out where the ATMs go and the charges. There is no reason to be part of LINK. Obviously, if that changed and there was some sort of different regulatory environment, then the rules would change, but we operate in the environment we do, so that is how we have to deal. If we get the balance wrong and have interchange too high or too low and lose either banks or deployers, we close.

Ron Delnevo: What we are seeing, though, is the British public suffering, because we have already lost 10% of our ATMs and we are going to see another 8,000 to 10,000 switch to charging in the next few months. There is no point in LINK surviving unless LINK is doing what it was set up to do. If it is a continually declining service, it does not matter who is in it.

As for that £70 million that John mentioned, that is the profit of the independent operators and they are being placed in a position where they are making losses. A retailer phoned me from the Lake District, "I have just been notified by my operator the machine is losing £600 a year". There was no threat in it, just notifying that there is the loss. Now, the retailer could not stay open if he was losing money, he would have to close. How can you expect the independent operators, who are providing most of the ATMs in this country, to keep on running a service where they are losing? This is a problem where we should not just say smugly,



HOUSE OF COMMONS

"LINK has to continue". If LINK is not doing what it was designed to do, then who cares whether LINK continues? It is the public that need serving.

Q99 **Ross Thomson:** My question is for John. To what extent are the changes that you are implementing being driven by a need to compete with other payment systems?

John Howells: It is a core part of the reason. As I said earlier, if we lose either banks or ATM deployers, even in small numbers, then LINK closes, because you have to have everybody in for the thing to work. We have two very successful competing schemes. Nothing wrong with Visa and Mastercard, they provide a valuable service, but every ATM and every card is connected to one or other or both and it is a flick of a switch, literally. One of our bank members left last year to Mastercard, as is entirely their right.

I doubt their consumers even noticed the switchover. They are still using the same ATM, but it means you switch from LINK's interchange, which is high compared to Visa and Mastercard in the UK. That means, if everyone does it, you lose about half the ATMs. I do not think that is a good result for the UK, which is why the LINK board—which is a not-for-profit independent and we are there as one of the few not-for-profit public interest entities in the ecosystem—view is we have to step in and make these changes, rather than just bury our head in the sand and say, "It is nothing to do with us".

Q100 **Ross Thomson:** Is there a level playing field between you and other payment systems? Why are schemes such as Visa and Mastercard able to offer substantially lower interchange fees than LINK?

John Howells: You will have to ask them. It is a competitive market. Formally, I do not even know what their interchange is, so I am relying on anecdotes and feedback from other reports out there that it is lower, but I firmly believe that it is 30% lower than what LINK offers. That is a huge temptation for a bank if you are paying £100 million to LINK a year and you can switch at the flick of a switch with no obvious consequences to yourselves and get £70 million. I understand that, our board understands that, so we have to get the interchange balance between banks and deployers.

Yes, it is a difficult job, but it is tough. It is just what it is. There is no overarching regulation. It is a competitive market and our view is we had to bring down interchange because it was just not credible to see the number of ATMs going up in city centres and then trying to explain to our bank members why it is going up when usage is going down. But equally, it is untenable to just do a mass cut and see all the rural and remote areas suddenly stripped of their free ATM access, which is why we have done this geographic pricing approach.

Is it the ideal way to run the cash system in the UK? No, I do not think it is. That is why I think Natalie Ceeney's report needs careful consideration



by regulators, because at the moment I work in the environment I work in. That is why we are taking the actions we did. I firmly believe if we had not done what we did in January last year, then LINK would not be in existence today.

Ron Delnevo: Visa and Mastercard Credit Union, they are great payment systems, great organisations, but the fact is they have different commercial interests to the public interest here in the UK. In 2002, the managing director of Visa in the UK phoned me up and he told me, first, he was going to take all of the transactions away from LINK in this country and, secondly, he was going to put me out of business. That is the kind of climate we are in. You ask about Visa's interchange. I know what Visa's interchange is, but the bottom line is it is not calculated in a transparent way, the way the LINK interchange used to be calculated, and it does not directly relate to costs. Visa does not have any ATMs in the UK and they are LINK ATMs. The Visa ATMs are the same ATMs, those transactions go through those ATMs.

What we are seeing here is companies want a cashless society and Visa declared a war on cash many years ago. They even pay restaurants \$10,000 to go cashless in the USA, so what we are seeing is that companies that want a cashless society will arrange for things to be uneconomic so that they drive it towards that. These companies are brilliant companies, but they are doing it in their own interest. Where is the public interest? LINK used to protect the public interest, but now we are being told it is a highly competitive environment and if we do not match these ridiculously low uneconomic rates being offered by somebody else, we will no longer exist.

My point is if we lose all of those free ATMs, tens of thousands, what is the point of having LINK anyway? We only want LINK the way it was, not the way it is being forced to go because of these pressures, which are not fair and level playing field—to use the word—pressures. We need the legislation to protect ATMs in this country.

Chair: We will come on to that. We will discuss some of the regulatory issues in this section, but we will stick on this just now.

Q101 **John Lamont:** My question is about the financial inclusion programme and I just wondered how effective you thought it was in incentivising—I guess this is addressed to you, Ron—your members to maintain operations in those areas identified by the scheme.

Ron Delnevo: I believe NoteMachine made a submission to this Committee and they said that 300 ATMs in the country benefited from the original financial inclusion measures. We were then told recently that 3,500 ATMs would benefit from the super premium, but I think I already said to you that the conclusions of Peter McNamara, who operates the second-biggest ATM operator in the country, was that this would help—the figure he gave me last night—three ATMs in his estate. That does not point to extremely effective policy for financial inclusion, but here is the



thing: it was only in the very recent past we talked about Post Offices offering an alternative. That was not meant to be the way it was. A couple of years ago we were saying, "We have to maintain an ATM, come what may". Now we are being told, "Oh well, if we lose an ATM, there is a post office", and you pointed out, Christine—several people have—about opening hours and so on, "and that is okay".

The financial inclusion project is inadequate, but if interchange was at its proper level, set in a transparent way for all ATMs, we would see ATMs going into those areas anyway. It is the overall position in interchange that is causing the damage, not this financial inclusion thing that, to be honest, is a red herring. We need interchange at a proper economic level, transparently calculated, and then we will see more ATMs going in, like we are seeing in Spain today, put in by independent operators. That is what we need to see. We do not expect the banks to do it. The independents will do it, but interchange has to be at a proper economic level.

John Howells: There are about 5,000 ATMs that benefit about £10 million a year. They are unaffected by changes to interchange downwards because they were all exempt. I will not comment on the individual operators, but broadly that £10 million is shared pro rata to the number of machines you have, so if you have 20% of the estate, you will be getting £2 million of that a year. In Scotland, based on the criteria we have, which is 1 kilometre—and I completely accept your points around opening hours and all the rest of it—there is not a single area in Scotland that is not covered by the programme, so we are satisfied that today it is working.

Q102 **John Lamont:** Are the right areas being identified? I think particularly in rural areas we have pockets of deprived communities that are just masked by more affluent areas nearby. A consequence of that would be it would not be identified as an area that would get the benefit of this programme. Are you confident that the financial inclusion programme is covering those areas of deprivation in rural areas?

John Howells: It is a good point. Broadly, yes, but there are two areas of weakness I see in there. One is that if there is not a free ATM there now we do not have a mechanism for putting one in there, where there should have been one three years ago. The Ceeney report, which talks about local communities, should have the right to go and say, "We have a need. Here is the store we would like it in. Who is going to give us our free ATM?" I think that would be a good thing, so I would like some help to get that kind of thing sorted out.

Your second point, which is if it looks broadly fine but there is a pocket because there is a massive steep hill to walk up, a kilometre is all well and good but walking up that hill is hard, we do not have a mechanism for dealing with those areas as well. Again, I think that comes back to allowing communities to have the right to say, "We have a particular problem". I do not think that would be thousands and thousands of ATMs.



HOUSE OF COMMONS

The problem we have is that in a competitive market there is no one to come and set those rules. LINK has no right to sit centrally and play God, judging on those things. We need to have some criteria so that communities can ask. I think that is a weakness of the current programme, but overall I think the current programme is hugely effective for the majority.

Ron Delnevo: Can I give you an example, John, of how this programme completely ignored high population areas in Edinburgh? At one stage, Muirhouse, Pilton and Drylaw did not have a single free ATM, not one free ATM, but yes, within a kilometre there is one over there, maybe in Granton, and there is one in Davidson's Mains, and tens of thousands of people were left without a service. The independent operators went in and put in free ATMs in those areas, but those ATMs are now at threat. They could be switched to charging, but nobody will put a free ATM in to replace them if they switch to charging because they will say, "There is one in Davidson's Mains and there is one in Granton" so it does not work when you get down to the detail. It is all very well talking at a macro level; at the detail it does not work.

Q103 **John Lamont:** Back to Mr Howells, since the changes to the interchange reduction, how many of the cash machines, the ATMs, have been lost in those areas covered by the financial inclusion programme?

John Howells: In Scotland, I think the answer is none. They have all either been maintained or there is a post office there. Across England, overall it is about 100 machines.

Q104 **John Lamont:** Just again to be clear, some have closed or have been withdrawn, but because there is a post office—

John Howells: I believe in Scotland it is about 15 machines that have withdrawn, but where there is a post office, and there we are not putting a subsidy in. The post office is open six days a week. I accept your point that that is not the same as a through the wall, but our criteria is with a six days a week opening post office, we will not subsidise an ATM if it closes. Typically, they tend to be co-located with each other.

Q105 **John Lamont:** You will be aware of the ongoing court case, where the first part of it has now concluded, by the subpostmasters against the Post Office regarding the use of their computer. There have been various mistakes that have been made.

John Howells: I have read about that, yes.

Q106 **John Lamont:** Yes, and the first case has now concluded, so I am not asking you to comment on any of the ongoing legal actions, but in respect of the first case, the Post Office said that if the court ruled against them, it would undermine or potentially threaten their ability to continue a post office counter business. Clearly, a large part of your decision making revolves around the ability of the Post Office to provide cash.



HOUSE OF COMMONS

John Howells: It does.

Q107 **John Lamont:** What contingency planning are you making in the event that these rulings go against the Post Office and there is some inability of the Post Office to continue?

Chair: Without referring to the specific case, which is sub judice.

John Howells: The Post Office, as with all the other participants in the cash system, for better or for worse operates in a commercial environment today. Whether that is a good thing or not, that is for regulators and policymakers to decide, but I always take whatever I hear said with a pause until I understand the facts because there is a lot of money involved and, therefore, there are a lot of commercial discussions that are coloured by particular views, which may or may not be true. At the moment the position is that the Post Office is satisfactorily providing those services; therefore, they form part of our plan. If the Post Office were not to provide those services, our commitment is to maintain that footprint.

If we suddenly found that the village where we had been relying on the post office and the ATM had gone, closed, then we would have to go and put an ATM or some other free access to cash back in there, because it is that overall footprint, regardless of channel, which counts. However, I maintain that as we go forward, faced in the country with a 10% reduction of cash usage every year, probably for the foreseeable future, we have to have a more intelligent way of managing the infrastructure we have, over which the Post Office is a vast and important part, because it is a key part of most of these communities and we need a more joined-up approach.

Q108 **Ged Killen:** Just on that final point you made there, Mr Howells, that if a post office branch closes they are factored into your equations about whether free access to cash is being provided and you have said that you would put an ATM in. Is that at your cost or is that at the cost of an operator?

John Howells: It is at the cost of the banks, because the banks in this country, again for better or worse, pay for all the free-to-use ATMs.

Q109 **Ged Killen:** I think that I put to you before some of the findings in terms of ATMs in areas that were covered by or should be covered by the financial inclusion programme. I am not sure if I heard back from you. I appreciate you probably will not have the answer today, but could you contact the Committee about this? I am not sure whether these may be covered by the post office rule, which I do not think I was aware of, but they said that just outside Edinburgh in the EH18 postcode, the nearest free-to-use machine is now 1.3 kilometres away; in the PH24 postcode in Cairngorms, the nearest machine is 6.6 kilometres away; and in TD10, the Scottish Borders, consumers travelled 10.9 kilometres to withdraw cash free of charge.



HOUSE OF COMMONS

John Howells: We will provide an answer. However, I can confirm that if there is not a free access point through an ATM or a post office within a kilometre, and those are clearly without, we will do whatever it takes to replace it. What that means is we will take whatever amount of money is necessary from the banks to go and ultimately deploy an ATM into those locations for free. I am hoping the premiums will work. I am hoping that when I look at the data, which I do not quite have right, we will be able to give an answer. Whether you agree with the commitment or not is a different matter, but the commitment is one kilometre or a post office, regardless of the cost.

Q110 **Christine Jardine:** We have talked a lot about rural accessibility, which is a huge issue and most of us have experienced it. I live in my constituency in Edinburgh West. I do not have 24-hour access to cash within a kilometre. Mr Delnevo has mentioned several areas that do not have access to cash full stop in my constituency. How can you be sure, how can you be so confident in a system that is blatantly not working for rural constituencies or large parts of cities outwith the immediate city centre, where branches are closing and there are not 24-hour ATMs available? How can you be confident that it is working?

John Howells: We track the location of every ATM that closes and so far the data we have is that where, for example, branches close there is not just a free but a through the wall within 100 metres. We can argue whether 100 metres is acceptable or not, but from LINK's point of view we are satisfied with that. If it is not a branch closure and it is just changes in free ATMs, we use the 1 kilometre. Again, you can argue about whether that is satisfactory or not, particularly if you have a hill there or something like that.

Christine Jardine: Or you are elderly.

John Howells: Or elderly or whatever.

Christine Jardine: Or disabled.

John Howells: But in terms of accuracy, do we know it is right? Yes, we have a system that tracks it.

Q111 **Christine Jardine:** You have a system that tracks it. I did not mean are you satisfied that you are tracking it, I meant are you satisfied that the public is being served, because it is all kind of feeding in. I would think it applied to the banks as well, this lack of access to cash, moving everything into post offices, which through no fault of the post office, they are not open seven days a week, 24 hours a day. This is all feeding into perhaps a feeling that the banks are no longer concerned about the public anymore, just the big customers, and that individual customers living in rural areas or in cities outwith the city centres are not getting the service that they deserve, either from the ATMs or from the banks.

John Howells: I cannot answer for the banks.



Eric Leenders: With respect, I think that is absolutely forefront of considerations in the context of bank branch closures, certainly in the context of the financial inclusion commitment that we support. The wider consideration of ways to pay, vulnerability and those customers that are perhaps less able to use some of the emerging technologies is certainly something that we spend a lot of time thinking about. I think that the way that Mr Howells has put the point, that if there are circumstances where the arrangements currently are inadequate in practice, we would want to look at that.

I am struck by, for example, what Charles Randell, the chair of the Payment Systems Regulator and Financial Conduct Authority, said at our retail banking conference. In fact, I think that Mr Delnevo was quoting from his speech, that in Burslem one of the issues was that the location of the fee-free ATM geographically was up a hill. If we do not have—and I think Mr Howells has also made this point—the mechanism that is sympathetic to that, we need to revisit it. That is certainly something that is on our agenda.

Ron Delnevo: It just happens to be your constituency we are talking about, so I cannot believe that you are unique around the country.

Christine Jardine: No, I am not.

Ron Delnevo: You may be a unique MP, but the bottom line is around Scotland, around England—

Chair: She most certainly is.

Ron Delnevo: —the same story could be repeated. Let us just get to this point about the banks putting an ATM in. First, let us get away from criticising the banks. They have to run their businesses. There are some great banks out there running their businesses well, but we are talking about the public interest here. It is not the banks that will put those ATMs back in, it would be independents. What John is referring to is that, yes, the banks will pick up the bill if it is funded through LINK. I am making the point that those independents are being squeezed out of business and if the independents are not going to be available to put those ATMs in, who is going to do it, because where are the bank ATMs being installed now? The independents have to survive and the reason you are having to switch all those machines to charging is because interchange has been reduced to an uneconomic level.

It is not to profiteer. The margins are very low. Every single one of those transactions that Brighton Station had was made loss-making by that reduction in margins. It is okay saying it is 2p, but 10% is a big slice off your margin. We need to see legal action here. We cannot expect the banks to be funding the whole country's economic system. The banks are in many ways doing a great job, but this is about the public interest and it is about not having the public forced down a path they do not want to



HOUSE OF COMMONS

go. Why should the people of Inverness, Edinburgh or Buchan be forced? They should have choice, payment choice.

Q112 **Christine Jardine:** The super premium, £2.75 for ATMs for retention in vulnerable areas, how will you decide the level at which the super premium is set, given Scotland's high number of remote and rural communities, to go back to rural communities? Would you expect Scotland to benefit more from the super premium than other parts of the country?

John Howells: It is about the same, so it is about 10% of the £10 million we are expecting to be spent in Scotland. Scotland, when it comes to the spread of ATMs, is slightly more rural, but it is not dramatically different from the rest of the UK and the consumer behaviour is moving faster away from cash than we were expecting, but overall it is the same in Scotland as it is in England and Wales and Northern Ireland.

Q113 **Christine Jardine:** When you appeared before us last year, you said you had the power to take whatever money it takes off the banks to keep ATMs in vulnerable areas open. Why do you think the super premium is only being launched now?

John Howells: I think that the reduction in ATMs between January and when we announced the super premium, September, was where we expected and wanted it to be, which is in business city centres, but we have now been told by a couple of operators that they are expecting, unless they get some premiums, to have to close in busy remote and rural areas. I will not talk about specific operators, because I do not think that is fair, but the reason we introduced it was because, based on what they were saying in those remote and rural areas, they needed more money.

Given the evidence from them to demonstrate that there is something there—because everyone likes more money, but we need to see some evidence there—that is why we introduced those premiums. Those premiums are based on the volumes that are going through the machines, because the volume is the biggest factor determining profitability. At the moment, I am pleased to see that no operator has closed machines, at least in large numbers. There is always one or two, but the support from the operators, regardless of what they say publicly, has been what I would want.

Christine Jardine: Unfortunately, I am going to have to go, too, but thank you.

Q114 **Deidre Brock:** It is a question for Mr Howells again, I am afraid. You mentioned tracking locations and taking some account of local circumstances, but can I ask how else you monitor the effectiveness of your financial inclusion scheme? Can I ask, too, how much notice you get before an ATM closes?



HOUSE OF COMMONS

John Howells: It is a competitive market, so we do not need to be given any notice. The retailer or the operator can remove that ATM at will and they do not tell us. They do not have GPS chips, there is no central room looking at it, there is no map of them all there, so if an ATM is taken out by a retailer or an operator, we will not know unless they choose to tell us. We have asked the operators to inform us, but even the operators will not necessarily know, because if you are running a small retail store and it is sold and whoever comes in does not want the ATM there, they can unplug it and stick it in the back and it is gone. It is not easy to have that kind of top-down compulsory system.

The way we get around that is we look at the transactions coming through our central box, so we can see if an ATM is awake and doing something and then we mechanically and literally—Google Earth and that kind of thing—go and check it is there. We focus that on the ones that are 1 kilometre or more away, because those are the ones we are worried about. In somewhere like a city centre, Glasgow, we will have a list of postcodes, though it is certainly true that three ATMs could disappear and we would not know about it. I am not sure we see that as a weakness as yet.

I am not sure what we do about it either, because other than putting in place some sort of GPS chip in every ATM, 65,000, which I do not think is possible, I think it has to be this rather top-down, go and look, manually intensive system. I have a team of five people who sit in Harrogate doing that kind of thing all the time.

Q115 Deidre Brock: How do you monitor the effectiveness of your financial inclusion programme?

John Howells: Is the ATM there and transacting? We base it on the geographic piece and then we overlay on that what the level of poverty income is in that particular area. I think that works fine for a top down. Where it is weak, as Christine was pointing out, is it is all very well if it looks like it is a wealthy area, but what happens if there is a pocket that people who are not working are in or what happens if it looks fine top down on the map but there is a whacking great big hill or a river to cross? That kind of thing I think is a weakness in the current system.

Q116 Deidre Brock: Last week we were told it was very difficult to reopen an ATM after it closes. Do you agree with that assessment? Can I ask how many ATMs have been opened last year in areas that have previously lost an ATM? Are you aware of those sorts of figures?

John Howells: The number of ATMs changes by hundreds every month. It is 65,000, but it is not a static system. There are ATMs opening and closing all the time, free ATMs, charging ATMs and switching between the two, so it is a very dynamic system because it is not a top-down central brain. It is thousands of individual retailers and retailers deciding whether they do or do not want to have an ATM or not, so very dynamic, it



HOUSE OF COMMONS

changes by hundreds. There has been lots of change overall last month, as there is in every month.

- Q117 **Deidre Brock:** But the trend seems to be towards ATM closures, clearly, so are you aware of any areas that have bucked the trend and have started installing ATMs after—

John Howells: The thing we are worried about is where it has closed and nothing else turns up in the village. That is where we have a concern. To answer your question about whether this is easy to replace, no, it is not, because it is not the buying of the ATM, putting it there and plugging it in, it is finding a site. If there is no one who wants it or nowhere to put it, then that is the hardest practical problem.

That is why one of the things I think would greatly benefit the system is where a local community can get involved. Instead of this top down, you could have a local council saying, "Look, we have a need here. More than that, we have a location" because it is the location. It is no use sticking it on the map and saying, "There needs to be one there". Where is it going to go? It has to have someone who is willing to accept it, so location and a need, then I think we ought to be having a system where you could put hundreds of ATMs in those kind of locations where there is a local need and a location.

- Q118 **Deidre Brock:** Mr Delnevo, you were shaking your head occasionally then. Do you have a comment?

Ron Delnevo: We had a system that was working very nicely, thank you very much. We were getting more ATMs installed, going to a lot of places that badly needed them, and now the reverse is true. There are hardly any ATMs being installed anywhere now. There are ATMs coming out, there are ATMs switching to charging, but there are hardly any being installed. That is a fact.

John Howells: That is not accurate.

Ron Delnevo: It is accurate. I am in the business; you are not. You are just running it top level. I am involved in the detail. The bottom line is we need to get back to where we were before. We need proper economic interchange to be paid so that everybody, not just independent operators, some banks as well who are still enthusiastic about ATMs, can afford to run them.

- Q119 **Deidre Brock:** Could I just ask lastly, Mr Howells, is it your priority to use that super premium to incentivise providers to provide new ATMs or really just to try to prevent further closures?

John Howells: The priority is to stop closures, though it also will be available to people who open new ATMs.

- Q120 **Hugh Gaffney:** Looking at what I heard about a cashless society, what would you say are the underlying drivers to reducing cash usage in the



UK?

John Howells: In my opening comments I said that we saw a demand-led change; in other words, consumers choosing to pay in different ways, having more options to pay. We have concentrated very much on card payment just now but, of course, there is contactless and Mr Delnevo mentioned wearables. There are a whole raft of different ways to pay that different customers find more attractive and more convenient. However, in saying that, I just want to underscore the point that from our perspective we do see that there is a continuing role for cash. That is the one of the options that would be there.

Q121 **Hugh Gaffney:** It looks like you are driving out the public who use small cash for small things, but the Federation of Small Businesses is also finding it hard now to use cash because of the bank closures, the time it takes to go to banks and also the rising bank costs. Now you are starting to drive down small businesses, local shops and all the rest of it, because of being cashless. You walk in with a card and you want a pint of milk, it feels embarrassing wanting a pint of milk, 51p off your card, so you feel you are obliged to buy something else. It looks like you have attacked the public, the banks have closed down to the public and you are now starting with the Federation of Small Businesses. Have you had any complaints like that from small businesses?

Eric Leenders: I perhaps see that from a slightly different perspective. Certainly, when we negotiated the banking framework with the Post Office, the ability for small business customers to use Post Office counters, not just to pay in money, not just to withdraw money, but also, as I explained earlier, to exchange notes for coins so they have float for the till, so that for that pint of milk change could be given for a £1 coin or a £5 note, and so on.

I also mentioned earlier the innovations that we are seeing. The pilot of three major brands that provide SME banking, Barclays, Lloyds and RBS, where they are opening a shared depositing facility with extended hours to enable small business owners to stay instore, therefore continuity of service in their store and bank out of hours, is an example of innovation that both facilitates cash use and supports SMEs. The question is a very valid one. The industry is very much alive to it and I think I have given just a couple of examples there of how the industry is looking to support SME customers and preserve the ability to pay in cash and enable customers to have that choice of payment as well.

Q122 **Hugh Gaffney:** Just a question on ATMs: we spoke earlier on about rural communities not having ATM access. If the small business puts a hole-in-the-wall ATM in, do they get paid for that? Do they get some money from you?

John Howells: It depends on the location. Some locations get paid to have an ATM, other locations pay to have an ATM, but it depends on the various economics in there. I think that is for consumers. For retailers, I



HOUSE OF COMMONS

think I probably do agree with Eric that one of the big missing things we have here is the ability for retailers to pay cash into ATMs. If you are a retailer, it is important your customer can access and come and spend it, but you also need to be able to deposit. Whether bank branch closures are good or bad, they are reducing the ability of the retailers to go and deposit notes and coins.

One of the big missing things we have in this country is the ability to have automated deposit machines around the place. That is something that an organisation like LINK, if it was wanted, could put in place. Then if you are an ATM deployer and you want to go and stick a machine in that takes deposits, which are available easily, the technology has existed for decades and is available around the world. If LINK could do that and cards were accepted and you could go in and put your cash in, that would be, I think, a useful thing to help small businesses and retailers.

Ron Delnevo: That is the single most important thing that came out of this report, to be honest, universal deposits, because businesses now are having to travel miles to deposit their cash. What Natalie Ceeney asked for in here is that ATM deposits of cash should be available at every ATM. You do not have to find your own bank's ATM or your own bank's branch. As John said, this is happening around the world. In India, you can go to any ATM and deposit cash. In Japan, you have had deposit ATMs since 1982. We need to get this in the UK. Ceeney has asked for this to be a LINK transaction. It is already available at LINK. The transaction could have been signed up for years ago. We also need an interchange so that it is economic for banks and independent operators to offer that service, but that is a great recommendation, a universal cash deposit. That helps businesses and it helps individual members of the public.

Q123 **David Duguid:** Just reading back through some of the evidence from the Access to Cash Review, it is estimated that currently three out of 10 transactions use cash across the UK. Obviously, as an average across the UK, that does not take into account some areas it may be more or less, but even if we were to assume that three out of 10 was spread evenly across the UK—and I remember having this conversation with RBS when we were talking about bank closures—that three out of 10 is not three in one location and seven in another, that is three out of 10 across all communities, even if we were to assume that three out of 10 was consistent. Mr Leenders, do you accept that parts of Scotland are less able to benefit from the drivers? I recognise the drivers for less cash. I barely use cash at all these days, but certain parts of Scotland are less able to benefit from those drivers behind the fall in cash transactions, such as developments in technology, broadband availability and those same areas are disproportionately affected by the consequences of bank and ATM closures.

Eric Leenders: We absolutely recognise that there are infrastructural challenges in certain parts of the UK generally. When one looks at a map of that infrastructure distribution, that is certainly the case for Scotland.



HOUSE OF COMMONS

That does mean that some of the online—or in the vernacular, point to point—transactions are less available in those areas. That is another reason why we would consider that ongoing preservation of access to cash is important.

Q124 David Duguid: How are your members acknowledging or acting upon Scotland's different circumstances in their response to those trends?

Eric Leenders: We have talked about the financial inclusion commitment, we have talked about the banking framework, the work that we do with the Post Office. We have touched on a couple of potential innovations in the market and certainly in interactive ATMs the ability to access cash through a smaller retailer. All of those would help. Wherever there is an ATM, there will be a technology, the ability to plug in, and therefore there will be a technology opportunity. Therefore, it is probably a question of how that technology opportunity can be adapted to ensure that it is inclusive. By that I mean are we able to support customers in more vulnerable circumstances as well as those who could potentially self-serve? Perhaps that is a point for consideration around interactive ATMs as well.

John Howells: I think that is an excellent point. I suspect we will probably agree it is not three out of 10 transactions evenly across the country and it will be less than one in 10 in some parts of Scotland. It will be nine out of 10 in some parts of London. We see usage of ATM withdrawals, so it is not quite the same as cash usage, but it is a good proxy. The thing about Scotland is overall it is a sophisticated market, so these are not consumers who are not moving to digital. In London and the south-east there is about a 9% reduction in cash usage, ATM usage, each year. Scotland is now at about 6%. It is not as fast as London and we think there is an Oystercard effect. If you go back a year, it was about 3%, so it is speeding up.

I think that the critical point—and it comes back to my joined-up point—is there will be large parts of rural Scotland where there is nothing other than cash because there is no broadband connection, so you cannot use digital even if you wanted to. When it comes to thinking about maintaining cash access across the UK, it needs to be this joined-up thing around not just ATMs, it is post offices, retailers and broadband, because if you have no broadband then you are not going to be using digital even if you wanted to.

Q125 David Duguid: Again, last week I asked a similar question to witnesses. It sounds like there needs to be a balance between helping people get used to the technologies and the innovations that require less cash, but also protecting those who just do not have an option. Whether it is through technology or through habits and behaviours, they just cannot deal with not dealing with cash. Mr Delnevo, can you suggest anything that either the industry or Government should be doing to close that gap between improving people's transition to a cashless society and protecting those who just cannot do it?



HOUSE OF COMMONS

Ron Delnevo: We are not transitioning towards a cashless society. What we need to safeguard is choice. From Natalie Ceeney's report, 97% of the UK population still carry cash and 25 million people said they would be seriously inconvenienced if they did not have cash. They are not tiny numbers or a small number of underprivileged people. Obviously, Government—and I am referring to all three Governments, Scotland, Wales and the UK—want to improve internet access. Five million people in the UK never access the internet and that is not just because it is not available; they choose not to. Yes, we do need to make sure that where people want to use digital it is available to them, where they want to use any of these innovations they are available to them, but let us not forget about choice here. It is not about people who have to use cash. There are tens of millions of people who want to use cash and we need to safeguard that choice. Without choice, are we living in a democracy? I submit that we are not.

Q126 **Chair:** I think it was you, Mr Howells, who said that all this is determined by commercial decisions and that is what influences nearly all the activity in the sector. We saw that in the much maligned Access for Cash Review that we have been discussing this morning. What the review suggests is that we have to try to move on from a commercial model to much more of a utility model and even suggests that if we were able to go to something like a wholesale cash supply model, millions of pounds would be saved. What is stopping us from doing that?

John Howells: That, for me, is the worrying point. Broadly, I agree with Ron that whether it is coming quickly, slowly or not at all, we do need cash in the UK but, as David pointed out, it is three in 10 now and whether it is going to be two in 10, one in 10, or half out of 10 in 10 years' time, it is coming down. The trouble is that what we have built in the UK is enormously expensive, at least £5 billion a year. It is mainly fixed costs, so it is stuff like ATMs in big centres, full of cash, vans driving up and down the road, and no one organisation runs that. It is a raft of about 40 different organisations, which are there to make money and do their own thing, and they are not all like big banks. Some of these organisations are overseas or venture capital backed. If they do not make money they will leave, and I think we are close to that point, in ATMs and elsewhere. I agree with Natalie Ceeney, who I think has independently concluded the same thing. Something needs to be done to manage that system forward for the next 10 to 15 years. If we just talk about it, what will happen while we are talking about it is that it will fall apart.

Q127 **Chair:** In response to this, maybe you could help me more, Mr Leenders. Do you agree with what Access to Cash said, that we do need to look at changing the commercial structure model to something a bit more utility for how to do this?

Eric Leenders: I certainly agree that the wholesale supply of cash should be reviewed. We have supported the Ceeney review. We helped Natalie Ceeney with a lot of our preliminary findings and we are proactively considering what a revised model might look like. A utility



HOUSE OF COMMONS

model is one option. At the moment, we have not necessarily done the full due diligence that would enable us to land on utility as the only model, but certainly it is one of the options under consideration.

One caution, if I may. I would not want the Committee to leave this morning with a slightly more alarmist message that the wholesale supply of cash is in a critical condition. There are arguments about its relative efficiency and that is certainly something that we want to consider because an inefficient operation is a cost that we would want to draw out, an inconvenience that we would not want to pass on to customers, but that does not mean that it does not operate effectively today. I refer to the point that Mr Howells made earlier. We want to make sure that there is a cash supply chain that works for the future, and that is certainly something that Natalie Ceeney reported.

Chair: We may come back on to some of these issues if we can. It is a quite interesting social inquiry, particularly in light of what Access to Cash said about this, but we will move on just now. I am conscious of time.

Q128 Tommy Sheppard: I want to change direction slightly and ask a question about the effects of changes in cash handling on the charges for business, particularly small businesses. This is probably more relevant to Mr Leenders than it is to others on the panel.

Let me illustrate this with a personal example. Before I came here, I used to run a retail business where a very significant amount of turnover was in cash; it still is. Ten years ago, the managers would count their money, do their reconciliation, and take the cash to the bank, they would pay it in and they would take cash out to replenish their tills. Over the last 10 years there has been what has seemed like a war of attrition from the banking industry, reducing the service and increasing the charges.

We have now reached a point where the bank will not handle or receive cash at all and, like many businesses, we are obliged to go to a post office. Now we are being told that we can only go to post offices between the hours of 9.00 and 10.00 to a very specific counter in order to pay cash in. If there were anyone intending to commit robbery listening to these proceedings, in my view this is a disaster waiting to happen, because you have a line of small-business people standing there with knapsacks or whatever else, waiting to deposit their cash, and if somebody were to come in and rob them they would get very rich pickings indeed.

In response to this, the company that I was involved with, and others, is being obliged to consider employing specialist companies to handle their cash and take it from their business premises to where it can be received. However, nobody is being compensated for that. That will be an additional cost, and quite a steep cost, to those businesses. In the period of the last decade, the service has been reduced and the costs have increased, and this disproportionately affects the retail sector where a large proportion of the transactions are still in cash. How can that be fair in any sense? It may well be an unintended consequence, but what does



HOUSE OF COMMONS

the banking industry think it could do about it?

Eric Leenders: There are quite a number of components to it, which I will try to pick up in turn.

First, it should be clear that in context of pricing and costs, we as a trade association have absolutely no locus on, nor do we get involved at all in, the pricing the individual brands want to place in the market. We do not engage in that component of the debate at all.

The example that you give, where as a small business you are compelled to use just the post office as opposed to a bank's own branch, is not, I think, one that is common across all brands. A common message we would always give is to shop around to see if there is a provider with a more appropriate service for you. I certainly do not believe that all brands require their business customers to pay in at post offices. I must say that I have not heard previously that there were specific times within which that post office access was available.

I did mention earlier the pilot where three of the major brands are looking to a shared facility where customers can pay in their takings in extended opening hours. That is an example of the sort of innovation that reflects the feedback of the same nature as you have tabled today, and it does show that the industry is looking to respond and provide suitable proxies or alternatives.

While I cannot give you a specific response in the context of pricing, I can certainly say in the context of servicing that the service you have experienced is not one that you would experience across the industry, so do shop around on that point. Hearing that, the issue is the time taken and the opportunity cost of having to do your banking in your opening hours, and alternatives are coming to market and pilots are being trialled to see if there is a market for a different way of banking daily takings.

Ron Delnevo: This is one of the great examples—all the inconvenience business is being put to—of exactly what is happening in this country. It mirrors what happened in Sweden, where the majority of bank branches do not accept cash deposits at all. In Malmö, one branch accepts cash deposits. The Swedish Government identified this and they are about to order every bank in the country to accept cash deposits again. That is in Sweden, which we keep being told is the model for the cashless society. Basically, it is not good service, it is not good enough, and we need to go back to providing a decent service. To ask people to go to post offices and only between 9.00 am and 10.00 am is ludicrous. It is inadequate and unacceptable. To ask a retailer to shop around is quite funny. No business should be put through that. It is depopularising cash, because putting business through that means that they do not want to handle cash now. Why would they? It is so inconvenient for them.

John Howells: This is a risk that the Ceeney review identifies very clearly. The danger that has been revealed in a lot of countries is not that



HOUSE OF COMMONS

people cannot get cash but that it becomes too expensive and inconvenient, and suddenly retailers say, "I am not doing that trip and standing in that queue. I am going to stop taking cash". That is the risk.

I understand that there are lots of different views about branches, post offices and the rest of it. My view is that an important part of the solution is to have a cheap and automated way for retailers to deposit cash through ATMs that accept deposits. It will not be for everybody, but this is a technology that exists in many countries and is easy, cheap and convenient. While I don't think it will ever exist in a tiny village, there the post office will not have a whacking great queue, so it is probably okay to pay money in. But on the outskirts of a town where you have a busy post office, it is just not sensible to be sending the retailers in to clog up the queues and irritate everybody. There ought to be some machines there where you can go and safely and professionally pay in your takings if you feel comfortable doing so.

The evidence from other countries shows that is a perfectly acceptable, low-cost, and safe way of doing it. Why do we not have it in this country? That is one example of where regulatory encouragement and support can help the competitive industry, which finds it very hard to agree on anything, to do some sensible things to preserve cash.

Q129 Hugh Gaffney: The Labour Party is looking at reviewing Post Office banking and turning post offices into post banks, giving banking back to communities. Do you have any comment on that? Have you looked at that situation, basically a nationalised bank?

John Howells: I shall be careful not to give a political opinion. As our evidence shows, we think the post offices play a very important part in maintaining financial inclusion, particularly for physical stuff and going forwards. In a world where there are massive, multi-billion-pound fixed costs and volumes are going down, something is going to break and it makes sense to use the assets we have in as efficient a way as possible. We have a fabulous asset in the Post Office and I certainly do not think it is being used as efficiently as possible in relation to ATMs. I will leave Eric Leenders to comment on banks. Without making any political comment, I do think that something that, going forward, has the Post Office as an important component in a joined-up way would be good.

We must not forget broadband. I will come back to a point made earlier. It is all very well having something, but if you have 5% of people who cannot use it, you have to cast the net far enough to get all the key parts in.

Chair: I had hoped to finish by 12.00 and we do have a couple more questions, particularly on regulation, which we do want to put to you but, I think, David, you have one more question to put before we move on.

Q130 David Duguid: A quick question on this discussion about allowing cash to be deposited at ATMs. The technology exists. I remember that 20



HOUSE OF COMMONS

years ago there was a bank machine in my town where you could take an envelope out and put cash in. I think you had to write the details on and then put it in a slot. It was almost a night-safe idea but it was done through the ATMs. We do not see that now but the technology exists. I am reading here that banks generally do not want to take part. What is the reason behind that? Is it similar to what we have heard recently about the idea of having a banking hub, with multiple different banking organisations sharing a building, for example? Is it a similar sort of argument against that that we have against depositing cash?

Eric Leenders: It is not just banks. There are multiple organisations, competitors, that need to decide. We see the banks because we are their customers, but there are, for example, ATM deployers who would need to go and put cash in. That overall network, in the world we are in in the UK, requires 20 to 30 competitors to sit in a room for many sessions over many months to agree difficult commercial things. The reality is that in the world we are in today, they are too busy. They do not want to do it. You need to have the priority put up if you are going to have it done. We can all sit here and say it is the wicked banks or the wicked others, but the bottom line is that they are competitors and they need to agree collectively. We do not have anybody giving that central steering hand and I think that is what is needed now.

Ron Delnevo: The service you used in the past was only usable at your own bank. You would not be able to take an envelope and put it in another bank's ATM. What we are saying here is that it needs to be all the ATMs. When I met with Natalie Ceeney she said that there is a peculiarity in the way that cash is treated as an asset depending on whose ATM it goes into. The Bank of England is looking at changing that treatment so that that would no longer be a problem, but it could be that there has been some resistance because if you deposit in one bank's ATMs but not your own, your own does not immediately get the benefit of that cash deposit as an asset in lending rules and so on. Basically, there are some possible arcane complexities that need to be swept away but essentially, as John says, the equipment is there and it could be something that happens very quickly and it is certainly necessary.

Eric Leenders: I think that attitude is not necessarily the predominant attitude—the pilot exercise uses the technologies that we have been discussing—and I think we have moved beyond that. Certainly, the pilot will bear that out.

I am conscious that I need to respond to the point that Mr Gaffney made. We want to see a free market, a competitive market, a vibrant market. If there are proposals for a new bank that supports consumers and if there is demand from consumers for that type of banking that supports consumers, we would be very interested. We are always happy, as you can imagine, to take a new member.

Q131 **Deidre Brock:** This is a question for Mr Delnevo and Mr Leenders. Can I ask about the Payment Systems Regulator and how effective you think it



HOUSE OF COMMONS

has been in ensuring LINK delivers that good geographical spread of ATMs?

Ron Delnevo: Let's not criticise LINK too heavily. LINK's management has tried to do a great job but there are difficult financial circumstances here.

As for the Payment Systems Regulator, I have been a critic for as long as it has been around because basically it has not done enough. One of the problems was that the regulator was only given responsibility for ATMs; it was not given responsibility for cash. The Bank of England kept responsibility for cash. What we need in this joined-up world that we are all talking about is one regulator looking at the whole picture. Having a regulator looking only at ATMs, and not cash, is ridiculous because, as Natalie Ceeney said, ATMs deliver over 90% of the cash in this country. We need the Payment Systems Regulator, or another regulator, to be given that authority.

Unfortunately, we also had a believer in a cashless society running the Payment Systems Regulator, but luckily there is going to be a change of management. We are waiting for a new CEO to be appointed. It is to be hoped that that person will have a broader view and take account of the needs of everybody in the UK, not just sections of the population.

Eric Leenders: There is a very good relationship between the regulatory community and UK Finance. That holds with the PSR as well. I mentioned earlier how the chair of the PSR spoke at our retail banking conference recently. I do not know that the issue is necessarily about the regulators per se. I have some handouts here. It is hard enough for me to read from this distance, and it would be nigh on impossible for you guys, unfortunately, but when we look at the mandatory change requirement that falls upon a retail bank just now from a number of different regulators, I think our primary challenge would be that there needs to be better air traffic control, better co-ordination, a consideration of what exactly needs to be done and how it should be prioritised. That would be the issue that we would have, not necessarily with the regulators per se.

Q132 **Chair:** Looking at the bewildering array of regulators involved in all this, it is almost ridiculous, and I probably use that word in its proper context. We did hear from Access to Cash for this inquiry, although we could not hear from Natalie Ceeney herself last week. The review made very firm recommendations about regulation, insisting that it has to come together. Probably the review's most forceful recommendation is that it should be put on a statutory basis. Is that something that you feel you would support? I see Mr Delnevo nodding his head.

Ron Delnevo: We certainly need statutory acceptance of cash in this country. We cannot have individual businesses deciding they are going to go off and not accept cash. That will leave out 25 million people, who said it would inconvenience them, not being able to use cash.



Similarly, however, I believe that business should be compelled to use all payment methods that make up 5% or more of the transactions in the country: Apple Pay, cards, contactless and so on. I don't think it is about making cash king; it is about giving people choice. We need a law that says cash must be accepted but also that payment choice is available. We also need legislative action to deal with the question of access to cash. Everybody here has said that it is not going to happen by accident; it is not miraculously going to happen that in 10 years' time we are going to have a system that works for the population of this country. It has to be planned and it has to be protected by legislation. That is my belief.

Q133 Chair: The review does say that a Government policy on cash is required: "We need a joined-up, forward looking and systematic view of the entire cash system by UK regulators." That is what you have been doing, isn't it, supposedly, in the past few years? Is this view from the Access to Cash Review something that you support?

Eric Leenders: Certainly, a joined-up regulatory structure, yes, because different regulators have different responsibilities. For example, the Prudential Regulation Authority would be very interested in the financial stability within the system. The Payment Systems Regulator might have the competitive dimension that Mr Delnevo referred to in the context of the ability to choose which payment choice you make. The Financial Conduct Authority, of course, would want to make sure that customers were treated fairly. Do we need a new regulator to take on those responsibilities? I think not. I think it comes back to the point around co-ordination and comes back to making sure that those with the responsibilities, albeit not perhaps as clearly understood currently around cash, certainly recognise that they have a part to play and it is about making sure that they do play their part.

Q134 Chair: What do you think the impact on the non-statutory regulators would be? I am thinking primarily of the Lending Standards Board, which has responsibility for overseeing bank closures.

Eric Leenders: I have previously sat as a board director at the Lending Standards Board so I should mention that for the record.

The desire for the Lending Standards Board to take responsibility and have oversight of the Access to Banking Standard was to ensure that the commitments within the Access to Banking Standard were, and are, being adhered to and to provide a vehicle for periodic review. It was Professor Russel Griggs who informed the latest version of the Access to Banking Standard. I do think there is a role for self-regulation and within the regulatory community that role can be a very valuable one and that this is a good example.

John Howells: We are encouraged by the response to the Ceeney review and we will wait to see, but I do think it is needed and we remain concerned that there is not a lot of time left.



HOUSE OF COMMONS

In the interim, I should say that LINK will not hesitate to do what we think needs doing. We will get flak for that, because there are a lot of participants and a lot of money involved and you are always going to get complaints, but while we wait, then we will get on with it because somebody has to. We certainly find this kind of scrutiny, encouragement for regulators, very timely and very valuable, so thank you for that. The same goes for Which?, for the Treasury Select Committee, and for the people who campaign for cash. We need to encourage the system into a new structure. What we have today is running to the end of the road and we are not ready to see it collapse yet.

Chair: Thank you all ever so much. That was a fascinating session. We now have a concise view about where we are with some of the issues involved. I think you, Mr Leenders, were going to give us some further information, or was it Mr Howells? We have a note of that. If there is anything else that you feel you could usefully supply, please do get in touch with the Committee. Thank you ever so much for your attendance today.