

Mr P. Wishart
Chair of the Scottish Affairs Committee
House of Commons
Westminster
London
SW1A 0AA

10th January 2022

Dear Chair,

I am writing to you ahead of the forthcoming evidence session of the Scottish Affairs Committee on access to cash to provide evidence on the worsening state of ATM infrastructure and the need for action from the Government.

Since July 2018, there has been a 22% decline in free to use ATMs across the UK, with this rising to 23% in Scotland. Cardtronics has consistently campaigned for the introduction of a fair and sustainable solution to the access to cash crisis that has faced consumers across the UK and has been particularly acute in Scotland. This is a material loss of vital access for communities that rely on cash, at a time when bank branches numbers are also declining.

We welcome the Government's decision to bring forward legislation as this will be critical in ensuring the long-term future of access to cash and basic banking services. However, the Government must act quickly to bring this legislation forward, whilst also ensuring it meets the lived experience challenges facing consumers and small businesses across the country. Without pace in introducing legislation, as well as further efforts to ensure legislation reflects consumers' lived experiences, the situation will continue to worsen. The effect of this will be the continuation of a pay-to-use premium on consumers who can least afford it – preventing people from low-income backgrounds and those living in rural communities from easily and freely withdrawing, depositing and paying for services with cash.

In particular, as we prepare for legislation, we believe the Government should embrace the following principles in its work:

1. **Act without delay** to prevent further deterioration of the cash infrastructure. This could include measures to ensure that merchants are required to accept cash for payment.
2. **Protect ATMs** as the only sustainable national infrastructure that can maintain free access to cash 24/7, and the method of cash withdrawals preferred by 80% of consumers. Specifically, by introducing interim measures to restore interchange to the pre-LINK cut levels while longer-term regulation is developed that reinstates an independent process for the setting of interchange
3. **Protect key schemes** including LINK and the Post Office framework by making bank membership mandatory.
4. **Include deposit-taking facilities** in the definition of 'reasonable access' and ensure requirements reflect consumers' lived experience and support ATM's in being able to offer both deposit and withdrawal transactions via the LINK scheme or another suitable alternative.

Embracing these principles would enable a vibrant and effective cash ecosystem to thrive for the long term, providing consumers, businesses and wider communities with the access to services they need and want. These principles are within reach and would not require substantive or radical changes but do require firm direction from government to industry and regulators, and a robust regime that ensures more than the bare minimum of access is protected.

We look forward to providing further evidence on these during the evidence session on 17th January.

Considering the Committee's previous inquiries on access to cash, I also wanted to provide our assessment of progress towards meeting the recommendations set out in the 'Access to Financial Services' report.

The Government should intervene to prevent further reductions to interchange fees, at least until it publishes a strategy outlining steps it will take to ensure Scottish consumers have continued access to cash.

The Government has not intervened to date to protect access to cash for consumers. This has meant that an increasing number of ATMs have become economically unviable and either removed or converted to pay-to-use. Constituencies including Glasgow North West (42% decline), Edinburgh South West (38% decline), Glasgow North (36% decline), Paisley and Renfrewshire North (31% decline), Cumbernauld, Kilsyth and Kirkintilloch East (28% decline) and Ayr, Carrick and Cumnock (26% decline) have seen significant declines in FTU ATM numbers. In rural areas losses are more pronounced due to fewer machines spread over larger areas, meaning closures can leave communities completely cut off from free access to cash withdrawals.

Whilst legislation is welcome, action should be taken now by Government and the regulator to prevent further reductions in the ATM estate. Legislation and regulation can then be fully developed in light of the recent consultation on access to cash providing a comprehensive, long-term solution that protects access to cash and basic banking services. The recent announcements regarding shared banking hubs is a welcome step forward, however it is insufficient and it is vital that the UK's infrastructure is protected and economically viable for the long-term. Cash infrastructure must be able to be deployed nationally in a way which reflects the lived experiences of consumers and small businesses.

The PSR should publish a full assessment of the economic and social impact of any future interchange reduction before it can be implemented.

Since the publication of the Committee's report, there has been no further reduction to the interchange beyond the 10% introduced prior to this recommendation. However, this 10% decline has led to a 23% decrease in the number of free to use ATMs across Scotland.

Despite no further reduction taking place, the economics of ATMs have continued to change. As cash usage and withdrawal habits change, greater numbers of ATMs have become economically unviable under the current funding model. Cardtronics believes there has been insufficient strategic direction from the regulator to determine the social outcomes that are desirable and to deliver changes that would bring material benefits to consumers and small businesses.

As cash usage continues to change, and a substantial number of people continue to use and need cash, regulators should undertake more regular assessments and implement stronger action to address clear and present challenges, such as, supporting the re-introduction of independent annual assessment of interchange and introducing a deposit interchange fee to support efficiencies in cash distribution.

The PSR should review the Financial Inclusion Programme and set out how it can encourage greater coverage of ATMs in the most rural, remote and deprived communities.

The Financial Inclusion Programme remains a welcome intervention from LINK that helps protect a small number of ATMs across the UK. However, it is not the solution to the persistent and widespread economic challenges facing ATM providers which are having a direct impact on access to cash for consumers.

LINK's interventions have been able to reactively protect and redeploy a small number of ATMs. Whilst this reactive programme is welcome for the communities it has helped, it is not sufficient and it has not reduced the persistent decline of access to cash across the UK. This can only be achieved through a return to the independent calculation of ATM interchange fees which is required to protect a broader spread of ATMs in rural and outer urban communities. This should go beyond the 1km exclusion rule, which often results in no new access points being installed. Reforms such as this coupled with legislation to facilitate deposit taking ATMs would greatly improve access to cash for communities, as well as safety, security and ease of access for vulnerable consumers.

The Government should set up a working group with industry to introduce network-wide deposit-taking ATMs.

Regrettably, all action to introduce network-wide deposit-taking ATMs have failed. Efforts by the FCA and PSR to support industry in finding collaborative solutions failed to provide any meaningful changes to access to cash or ATM deposit taking services. The Cash Action Group solution announced in late 2021 is positive but insufficient and requires the support of independent ATM operators and retailers to drive real change.

We continue to believe there are significant benefits that could be unlocked by introducing network-wide deposit-taking ATMs for businesses and consumers alike. Despite our support and efforts to introduce some machines with this capability, there has been no clear collective effort by LINK to introduce this capability or develop a mechanism that would support them in the future. Government must recognise this impasse and introduce stronger requirements through legislation to drive the introduction of network-wide free-to-use deposit-taking ATMs that all bank customers can use.

The Government should update the Committee on the outcome of discussions between regulators and publish an action plan for how it will reduce the cost of the UK's cash infrastructure.

The Government and regulators have published an action plan and two consultations on access to cash. Whilst these are welcome, it has been a slow process with limited protections for the ATM network and access points that consumers rely on. We would urge the Committee to recognise that, despite some recent positive progress, there should be a greater impetus behind mandating reforms and ensuring protections are in place as these are developed.

We hope to be able to continue to support the Government as it develops plans for legislation and bring to light many of the challenges facing the modern ATM network that need to be overcome to ensure it can continue to play its critical role in protecting access to cash.

I look forward to setting out these views in more detail during the evidence session on 17th January and will be happy to follow up in due course with more information.

We are now within reach of protecting access to cash across the UK, but it is critical that the legislation that is brought forward is strong enough to set the network and critical infrastructure on a sustainable footing to best meet consumer needs both today and for many years to come. Without this, the crisis will worsen with many more businesses and consumers facing financial exclusion.

Yours sincerely,



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