

25th February 2021

LINK Specific Direction 8 Review
Payment Systems Regulator
12 Endeavour Square
Stratford, London
E20 1JN

Dear Review Team

ACS Submission: LINK Specific Direction 8 Review

We welcome the opportunity to inform your review of Specific Direction 8 (SD8). ACS (the Association of Convenience Stores) represents 33,500 local shops and petrol forecourts including Co-op, McColls, BP and thousands of independent retailers, many of which trade under brands such as Spar, Nisa and Costcutter.

Convenience retailers are responding to changing consumer demands for payment services and investing to offer contactless (available in 88% of stores) and mobile payments (80%)¹. Convenience stores are also a valuable source of cash access, providing FTU (49%) and PTU (22%) ATMs, Post Offices (22%) and cashback with purchase (68%)². The proportion of cash payments in independent convenience stores reduced during the earlier stages of the pandemic from 80% to 62% but has since partly reversed and stabilised at 68% of transactions³. The split of cash/card payments can vary significantly based on store location. ACS is payment neutral but access to cash must be accessible in the long-term to meet sustained consumer demand and support a diverse payments market.

LINK's ATM Footprint Report reinforces the need for the PSR to closely monitor management of the FTU ATM network. The report shows 13% of protected ATMs are no longer transacting, 79% of which no longer provide free access to cash on a permanent basis⁴. This demonstrates the growing number of ATM blackspots, highlighting the need for an effective ATM Replacement Procedure. We would support a shorter 12-week timeframe for LINK to complete its replacement procedure, which would align with the definition of a lost ATM and help prevent temporary gaps in ATM coverage aside from where exceptionally short notice is

¹ ACS Local Shop Report 2020

² ACS Local Shop Report 2020

³ The Retail Data Partnership. Evolution of Payments in the UK's Independent Convenience Store. December 2020.

⁴ <https://www.link.co.uk/media/1709/atm-footprint-report-december-2020.pdf>

given. The new FCA ATM closures guidance should prevent short notice closures by requiring operators to fully assess wider societal and economic impacts when considering closures. The protected ATM policy, brought about due to SD8, encourages a strategic focus on ensuring a national network and should be retained.

LINK's direct commissioning and low-volume premium policies have had limited effect because most trading ATMs require a viable and reliable commercial offer for a host convenience retailer. The sudden and unilateral switch of many ATMs from FTU to PTU by operators and wider trends on cash use have made retailers wary of taking on ATMs. Overturning this key problem to provide a stable offer for retailers requires returning to the independent setting of interchange fees. Bank participation should also be mandated within a single ATM scheme to stop commercial pressures to reduce network costs from undermining consumer outcomes.

SD8 is a positive contribution towards a nationwide ATM network and should remain in place until the implementation of access to cash legislation. SD8 has encouraged the development of policies aiming to safeguard access to cash in the interim and required necessary transparency from LINK. This transparency encourages LINK to act in the interests of consumers over reducing network costs. We are committed to working with the Payment Systems Regulator on ATM policy and access to cash. For more information on this submission, please contact steve.dowling@acs.org.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read 'James Lowman', with a long horizontal flourish extending to the right.

James Lowman
Chief Executive