

1st November 2019

Caroline Gobena
Regulatory Policy & Strategy
Payment Systems Regulator
12 Endeavor Square
London
E20 1JN

Dear Caroline

ACS Submission: Review of Specific Direction 8

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to the Payment Systems Regulator review into Specific Direction 8 on LINK. ACS represents over 33,500 local shops and petrol forecourt sites including Co-op, BP, McColls and thousands of independent retailers, many of which trade under brands such as Spar, Budgens and Nisa.

Convenience retailers continue to invest in payment services and increasingly offer contactless (in 88% of stores) and mobile payments (80%)¹. Convenience stores are also a valuable source of cash access; 46% host a free-to-use ATM and 21% a Post Office branch². We do not support one payment method over another; but believe access to payment methods and related infrastructure should reflect consumer demands. Cash, used in 76% of convenience store transactions, will remain important to consumers in the long-term and requires a truly national ATM network to provide widespread access³.

LINK's most recent ATM Footprint Report shows that 225 areas no longer have a transacting protected ATM, equivalent to 8% of the protected network⁴. 92 of these areas will not gain a replacement protected ATM due to access to cash at a local Post Office branch⁵. Barclays' decision, albeit now reversed, to withdraw from the Banking Framework allowing its customers to withdraw cash from the Post Office has highlighted the fragility of the access to cash network.

Specific Direction 8 requires LINK to assess when a Post Office can be deemed an adequate substitute for a lost ATM. LINK's current policy simply requires a branch to be open for five days or more per week. We believe the Regulator should actively consider requiring LINK to change its policy so that Post Offices are only adequate substitutes if a comprehensive Banking Framework remains in place. This amendment would provide long-term certainty that Post Offices only replace ATMs when a thorough withdrawal service is available. Cashback is also an unsuitable alternative to ATMs due to consumers usually

¹ ACS Local Shop Report 2019

² ACS Local Shop Report 2019

³ ACS Local Shop Report 2018

⁴ LINK. [LINK Scheme ATM Footprint Report](#) September 2019

⁵ LINK. [LINK Scheme ATM Footprint Report](#) September 2019

having to purchase items to access cashback, security risks for retailers and higher insurance premiums.

To reduce gaps in the protected ATM network, we believe the Regulator should require the ATM Replacement Procedure to be completed in a shorter timeframe than 6 months. For example, a 12-week timeframe would align with the definition of a lost ATM. This would prevent temporary gaps in ATM coverage in all cases except where a protected ATM is removed or becomes a PTU machine at short notice. To ensure proposed changes to LINK policies can be properly assessed, Paragraph 9 should explicitly reserve a right for the Regulator to both postpone pending review or reject any variations aimed at meeting this Specific Direction.

One further area for the Regulator to consider is the suitability of the 1km criterion in the Financial Inclusion Programme. 1km was arbitrarily adopted for the Programme following the House of Commons Treasury Select Committee inquiry in 2006. There are numerous other factors that LINK should have to consider when assessing the need for access to cash in the community. More comprehensive criteria could be developed in relation to the social and economic needs for cash in an area based on demographic profiles of consumer populations. This could be informed by the extensive consumer research commissioned by the Payment Systems Regulator.

Although we have welcomed LINK's Low Volume Premium and high street guarantee initiatives, the need for these interventions highlights the lack of a properly funded long-term strategy to secure a national ATM network. LINK's original assessment stated that there would be 'modest reductions'⁶ in FTU ATM numbers, but 250 are closing each month⁷. Its original assessment stated its changes would target urban clusters of ATMs, whereas FTU ATM coverage has declined significantly amongst independent convenience stores in rural and suburban areas.

Access to cash is an essential service that must be provided via ATMs for thousands of local shops and millions of their consumers. Strategic Direction 8 must be robust to ensure LINK delivers on its commitments to manage a truly national FTU ATM network. For more information on this submission, please contact Steve Dowling, ACS Public Affairs Manager, via steve.dowling@acs.org.uk / 01252 533009.

Yours sincerely,



James Lowman
Chief Executive

⁶ LINK. [LINK's Interchange Rate: Final Decision and Assessment](#) January 2018.

⁷ <https://www.link.co.uk/about/statistics-and-trends/>