



Executive Summary

1. Some 10 million people still rely on cash. As incomes keep being squeezed, there is even evidence that people are turning back to cash to help budget.
2. Overall, however, consumers are choosing new ways to pay. A decline in cash use over recent years has been turbocharged by COVID-19. Withdrawals from the LINK ATM network are currently almost 40% lower than pre-pandemic levels.
3. Against this background, the measures taken in this Bill to protect access to cash are a vital step to ensure the UK's cash infrastructure continues to serve consumers across the country.
4. The Bill creates a framework to regulate access to cash, which LINK believes will stand the test of time. The framework builds on essential work done in recent years across the financial services sector to hold the cash network together in the face of reduced volumes, and gives responsibility to the Financial Conduct Authority (FCA) to ensure the network continues to focus on the consumer interest.
5. That work has included the protection of ATMs and significant subsidies to the ATM network, and more recently the funding of shared banking hubs in locations which lose their last bank branch in town.
6. As the UK's ATM network, LINK has been proud to play a key part in protecting access to cash. The Bill guarantees this work will continue to serve consumers and communities for the long-term. LINK is therefore supportive of Part 2 of the Financial Services and Markets Bill.

Introduction

7. This evidence is submitted by LINK Scheme Ltd (LINK). LINK is the UK's ATM network. It is a not-for-profit organisation with a public interest remit. LINK joins up banks and building societies with ATMs so that we can all use any free cash machine. LINK also sets the rules so that ATMs are safe to use, signage is clear, and every community has free access to cash. Since 2006, LINK has run a Financial Inclusion Programme aimed at supporting consumers' access to cash in deprived and remote locations.
8. This evidence is restricted to Part 2 of the Bill, Access to Cash (Including Sch.8, which introduces a new Part 8B of the Financial Services and Markets Act 2000). LINK does not intend to submit any evidence relating to other parts of the Bill.
9. The evidence focuses on the following key elements:
 - The UK's cash infrastructure.
 - Why access to cash continues to be important to consumers.
 - Changing use of the cash network.
 - Voluntary work by the industry to protect access to cash.
 - The impact of the Financial Services and Markets Bill.
10. For further information about access to cash or consumers' use of cash, please contact Nick Quin, Head of Financial Inclusion: nquin@link.co.uk. LINK is happy to give oral evidence to the Bill Committee.

11. LINK does not collect any information about the consumers who use cash machines directly. All data is either data about transactions seen on the network and is available at www.link.co.uk, or taken from research undertaken by polling companies or other organisations and will be referenced as such.

The UK's cash infrastructure

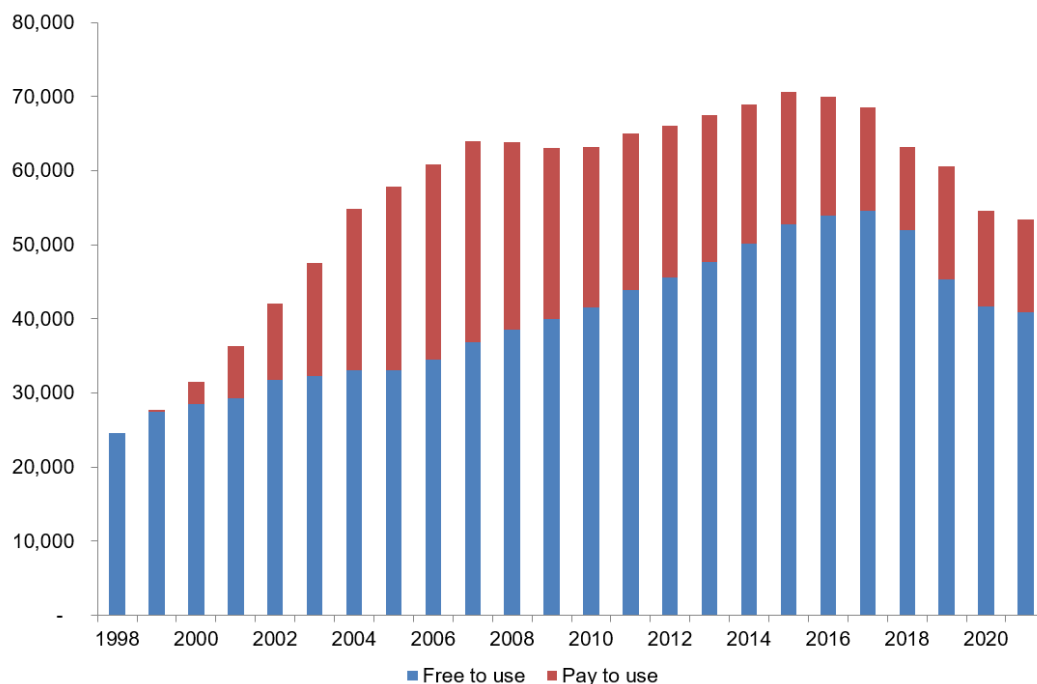
12. UK consumers can access cash from over 55,000 ATMs, 11,500 Post Offices, bank branches across the country and, since 2021, over 1,500 retailers offering cashback without purchase.¹

13. Over 90% of cash withdrawals take place at ATMs.² Around 95% of those withdrawals are from free-to-use ATMs.³

14. Unlike some jurisdictions, this free cash access is available regardless of which high street bank you use. LINK enables customers from over 20 bank brands to withdraw cash from free cash machines, and the Banking Framework enables the Post Office to provide a similar service for withdrawals and deposits. This means the costs of the network are shared across the major banks.

15. The cash infrastructure costs around £5bn a year to run.⁴ This includes the costs of printing notes, delivering them to cash machines, running those machines and banking the cash. As cash usage declines, the cost of maintaining the network has had to reduce, and therefore, the number of ATMs has also reduced.

Fig.1: LINK ATM numbers (year end)



16. Although the number of ATMs has reduced, **LINK has, through its financial inclusion programme, ensured that the geographic spread of free cash access has been maintained.** The FCA estimated in 2021 that 95.5% of people live within

¹¹ A service made possible by the Financial Services Act 2021, and currently operated by PayPoint, a LINK Member.

² UK Finance, UK Payments Market 2022, <https://www.ukfinance.org.uk/policy-and-guidance/reports-and-publications/uk-payment-markets-2022> link.co.uk

³ 23% of ATMs charge for use. See more at <https://www.link.co.uk/about/statistics-and-trends/>

⁴ [Access to Cash Review](#), 2019

2km of free cash access.⁵ LINK's work has ensured that 99.9% of high streets have free cash access within 1km.⁶

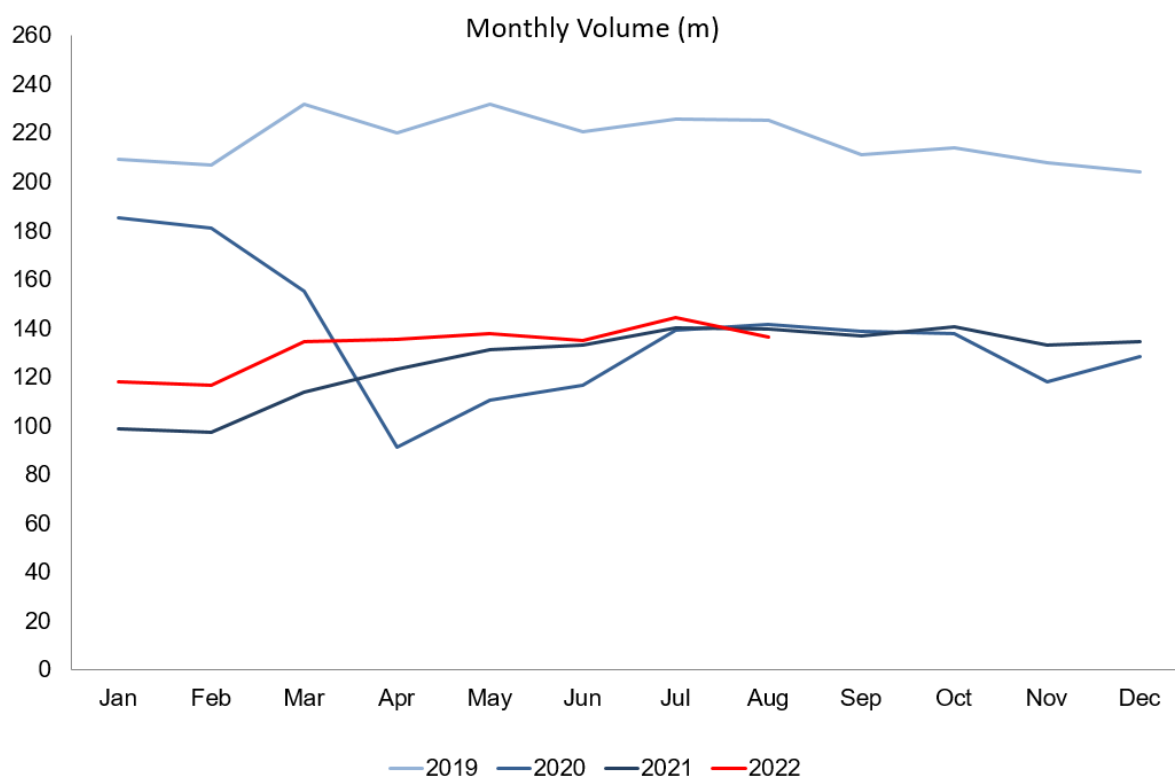
17. This infrastructure is reliable and serves the consumer interest. It rests entirely, however, on commercial arrangements among the major banks. These agreements are long-standing, but have been subject to significant pressure as a result of the changing use of cash. As cash usage continues to decrease, this pressure will only increase.

Changing use of the cash network

18. In 2019, the Access to Cash Review warned **we cannot sleepwalk into a cashless society.**⁷ As more and more people use online banking and pay by card, the marginal cost of running each element increases. Doing nothing would leave the estimated 10m people who rely on cash at the mercy of a declining market, and accessing cash would become a postcode lottery. At worst, the Access to Cash Review warned of a collapse of the payments infrastructure, which has been prevented so far by work across the industry.

19. Since then, the dash from cash has been turbocharged by the pandemic. We are withdrawing almost £100m less a day than we did pre-pandemic from LINK cash machines. **Access to cash remains at significant risk without concerted effort from the industry, Government and regulators.**

Fig. 2. Monthly transaction volumes at LINK ATMs⁸



20. There is no expectation that these volumes will recover. UK Finance estimate that cash transactions will make up just 6% of transactions in 2031. As a result of this continued trend, bank branches and ATMs are likely to keep reducing in number.

⁵ FCA, Access to Cash Coverage in the UK, Q4 2021, <https://www.fca.org.uk/data/access-cash-coverage-uk-2021-q4>

⁶ High Streets in LINK's commitment must have 5 or more retailers who rely on cash.

⁷ Access to Cash Review, *ibid*.

⁸ This includes cash withdrawals, balance enquiries and rejected transactions. It does not include transactions made by customers at their own banks' or building societies' ATMs.

Why access to cash continues to be important for consumers

21. In a world of contactless payments and online banking, it is easy for some people to live entirely cash free. However, the volumes of cash usage remain high. The LINK network still handles around 1.6 billion transactions a month. On average in 2021, UK adults still withdrew over £1,500 a year.
22. **There are still 10m people who say they would struggle to cope in a cashless society.**⁹ Repeated studies have shown that the people who rely on cash are more likely to be deprived. The Access to Cash Review in 2019 found that while over 15% of people on household incomes of less than £10,000 rely completely on cash, just 2.5% of all higher income groups do.¹⁰ This is unlikely to have changed since. These people are more likely to be using cash to budget week to week, and be digitally excluded and financially vulnerable.¹¹
23. **As fears about the cost of living have increased recently, we have seen evidence that more people are turning to cash to budget.** The Post Office recorded record withdrawals in July 2022,¹² and surveys commissioned by LINK have indicated that 10% of people are planning to use cash more to budget in the coming 6 months.¹³

Voluntary work by the industry to protect access to cash

24. **Since 2006, LINK has run a successful financial inclusion programme, which has protected free cash access in deprived and remote areas.** This work has intensified since 2018, and is now subject to regulatory oversight from the Payment Systems Regulator (PSR).¹⁴
25. **LINK has protected 3,000 free ATMs in remote and deprived areas which otherwise might shut** with commercial subsidies, and funded new ATMs in over 100 communities. LINK invests over £13m every year to fund those ATMs, and also speaks to communities directly about any issues they may face in accessing cash free of charge. This work is ensuring that free cash machines remain available where they are needed even as the overall numbers reduce.
26. Following the Access to Cash Review, **the Community Access to Cash Pilots commenced to trial new solutions for cash access.** These pilots looked at ATMs, cashback without a purchase, innovative technologies and shared banking hubs.¹⁵
27. Following the success of those pilots, **LINK is now co-ordinating the industry response to bank branch closures, recommending shared banking hubs in any location which loses its last bank branch.** In 2022, LINK has analysed the effects of 430 bank branch closures, and recommended 23 shared banking hubs and two ATMs to replace closing branches, in addition to the two locations already operational.

Impact of the Financial Services and Markets Bill

28. The work detailed above represents a major collective commitment from the banks and building societies to the consumer interest. That work has laid the foundations on which the Bill sits. For the first time, the Bill gives the Treasury direct oversight of the

⁹ The RSA, [The Cash Census](#), 2022

¹⁰ [Access to Cash Review](#), 2019

¹¹ <https://www.theguardian.com/business/2022/aug/18/handing-over-cold-hard-cash-makes-you-think-twice-the-people-ditching-cards-in-the-cost-of-living-crisis>

¹² [Post Office](#), August 2022

¹³ [LINK](#), July 2022

¹⁴ Specific Direction 8 (2018) imposed reporting obligations on LINK in relation to “Protected” ATMs. It has since been superseded by Specific Direction 12 (2022) <https://www.psr.org.uk/publications/general/specific-direction-12/>

¹⁵ <https://www.communityaccesstocashpilots.org/>

firms involved in this work, and gives the FCA powers to direct those firms in the consumer interest. LINK believes this will secure the good work done to date for as long as cash access is needed .

29. The Government must set out what good cash access (including withdrawing and depositing cash) looks like in a Policy Statement and designate firms to deliver it.
30. The FCA will be the lead regulator for access to cash, and will have powers to ensure the Government's policy statement is being met in the consumer interest.
31. The Bill also contains measures on wholesale access to cash. While these do not directly impact on LINK's work, they will help ensure that taking cash remains affordable for businesses.
32. LINK believes these measures are vital. As cash usage continues to decline, it is likely to be driven by choices made by the most financially able, in society. Without measures to protect access, we risk leaving behind the most deprived and most vulnerable.
33. The Financial Services and Markets Bill will secure the voluntary work done to date, and enable the Government and the FCA to continue protecting consumers for as long as is necessary.¹⁶

Potential Improvements to the Bill

34. There are minor changes which LINK believes would be in the public interest as the Bill passes. These do not fundamentally change the measures set out in Part 2 of the Bill, but would serve to secure the consumer's voice at the heart of the framework.
35. First, **an appeals process guaranteed by statute**. At present, when decisions are made about a community there is no mechanism for them to appeal it. The legislation could therefore specify that the FCA oversees a simple, fair and independent process allowing communities to appeal decisions about local cash access.
36. Second, **increasing transparency of decisions**. The process for deciding which areas receive investment in new services rests on specific criteria. The banks and LINK should be required to publish their approach to setting those rules, so that everyone can understand what to expect from the system.

Conclusion

37. **LINK has a track record of working in the public interest, and is ready to continue working with the Government, industry and FCA to protect access to cash for as long as it is necessary.**
38. Part 2 of the Bill is a major and necessary step in supporting that work, and ensuring that, regardless of how consumers choose to pay over the coming years, those who rely on cash can continue to access it, free of charge, and where they need it.

-ENDS-

¹⁶ UK Finance expect cash to represent 6% of transactions by 2031.