



HOUSE OF LORDS  
LONDON SW1A 0PW

**Lord McFall – Response to the consultation by the Board of Link Scheme Holdings on setting interchange rates**

Dear Sir Mark

I am writing to respond to the consultation by the Board of Link Scheme Holdings on the approach to setting interchange rates. I note that the consultation is only seeking the views of LINK members and the membership of the LINK consumer council but due to be my long-running involvement in this issue I thought you would appreciate my views.

I was Chair of the Treasury Select Committee when it conducted the inquiry into Cash Machine Charges in 2005. This inquiry found hundreds of local areas where consumers were being hit with high charges for withdrawing their own money. In Speke, a low-income area in Liverpool consumers faced charges of £1.50 for making cash withdrawals.

Following this inquiry I Chaired an ATM Working Group involving consumer groups, the banks, independent ATM operators and the Post Office. The Working Group's report recommended the introduction of a 'financial inclusion premium' to provide a long-term and enduring incentive for ATM operators to expand the availability of free cash machines in low-income areas that lacked them and also to help protect free machines where they were the only such ATM in these areas.<sup>1</sup>

The Working Group members, including all of the major banks and building societies, also unanimously committed themselves to the long-term future for a large network of free cash machines in the UK, and recognised the public policy priorities attaching to continued widespread availability of free ATMs.

**Response to the consultation**

I make the following comments on the issues raised in the consultation:

***Narrow scope and inadequate timetable***

I am concerned that as part of the consultation the LINK Board is only seeking views from LINK Members (38 banks, building societies and ATM operators) and the six independent members of the LINK Consumer Council. No justification for this approach is given in the consultation document. Before such a significant change is made there is a need for wider consultation with the public and other consumer and SME groups, including those representing vulnerable consumers. Furthermore, a one month consultation is simply an inadequate length of time to give consumer groups, members of the public and politicians the ability to engage in the consultation process.

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<sup>1</sup> ATM Working Group (2006), Meeting Consumer Needs,  
[http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/d/atm\\_working\\_group\\_final.pdf](http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/d/atm_working_group_final.pdf)

### ***The closure of bank branches***

More than 1,500 bank branches have closed in the last three years.<sup>2</sup> This increases the importance of the free-to-use ATM network. Banks will have made significant cost savings from closing these branches which should be considered alongside the cost of the free-to-use ATM network, rather than considering the cost of the network in isolation. The “general presumption” among what I presume are banks that the cost of the ATM network should be falling seems to ignore this trend. The consultation does not include any proposals for how the provision of free-to-use ATMs in areas suffering from the closure of bank branches should be maintained.

### ***Lack of impact assessment or consideration of the adverse effect on vulnerable consumers and SMEs***

There is no impact assessment of the effect on the free-to-use ATM network of the proposed changes. Before such changes are proposed or made there must be a serious and systematic analysis of the potential impact on the free-to-use ATM network.

There is also no consideration of vulnerable consumers, access or equality issues in the consultation, nor which groups might be affected disproportionately by the proposed changes. This is a concern as low income groups and older consumers rely strongly on cash for their payments. 40% of consumers who rely on cash have a total household income of less than £10,000 and almost 62% of those aged over 65 rely on cash for day-to-day payments.<sup>3</sup>

The removal of free-to-use ATMs could also have an impact on microbusinesses and SMEs which may rely on cash to accept or make payments. Again, there doesn't seem to be any consideration of this issue in the consultation.

### ***Secrecy***

It is simply not acceptable for the consultation responses from the LINK members, including the views from the major banks and building societies, to be kept secret. Customers and the public have a right to know how each individual bank is responding to the consultation. I recommend that the LINK Board should ask each LINK member to publish a statement concerning their position on the proposals and that these responses should be shared with the Treasury Select Committee.

### ***The need to expand the Financial Inclusion Programme***

The reduction of the interchange fee is likely to create further gaps in the network of free-to-use cash machines. In addition to being in low-income areas there may also be other areas such as rural areas or areas hit by bank branch closures where a free-to-use ATM is no longer viable under the proposed approach. Low income consumers and other consumers and SMEs dependent on cash to make and receive payments in these areas could be hit by the proposed reforms. Before any changes are made to the interchange fee arrangements there is a need to consult on expanding the financial inclusion programme to address these issues by including more areas.

<sup>2</sup> <https://www.which.co.uk/news/2017/04/mapped-the-482-bank-branches-closing-in-2017/>

<sup>3</sup> [https://www.link.co.uk/media/1064/introduction\\_to\\_link.pdf](https://www.link.co.uk/media/1064/introduction_to_link.pdf)

## Conclusion

In summary, I do not support the proposals to reduce the interchange fee due to:

- The lack of consideration given to expanding the financial inclusion programme to support free-to-use ATMs in more areas.
- The failure to consider the impact of the closure of 1,500 bank branches in the last three years.
- The failure to conduct a proper impact assessment concerning how many free-to-use ATMs will be removed or to consider the adverse effects on vulnerable consumers, microbusinesses and SMEs.
- The inadequate one month consultation process, which is too short and will be dominated by a magic circle of banks and building societies excluding the public and other consumer groups not represented on the LINK consumer council.
- The secrecy surrounding the responses from LINK members, including the major banks and building societies, meaning that the public will be left in the dark as to the stance of their bank or building society.

If LINK push ahead with these proposals then they will be taking a giant leap in the dark concerning the future of the free-to-use ATM network. LINK have no idea how many cash machines will be closed as a result of these proposals or how low-income and vulnerable consumers, those who manage in cash or SMEs will be affected.

I am concerned that the proposals represent a collapse of the spirit of the agreement made by the major banks at the ATM working group and will send this response to the Chair of the Treasury Select Committee. I will also send a copy of this response to the Chief Executives of the FCA and the PSR.

Yours sincerely

A handwritten signature in black ink that reads "John McFall". The signature is written in a cursive style with a large, looped initial 'J'.

Lord McFall