

# Consultation Response

## Call for views: First review of Specific Direction 12 (LINK)

### Payment Systems Regulator (PSR)

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## **About this consultation**

The Payment Systems Regulator (PSR) is conducting a review of their Specific Direction 12 (SD12).<sup>1</sup> This Direction is designed to ensure LINK, the UK's cash machine (ATM) network, maintains a broad geographical spread of the UK's free-to-use (FTU) cash machine network and meets service-user needs. The PSR want views on four areas focused on the operation of SD12.

## **Key points and recommendations**

- Cash and local banking services are crucial community access points for many older people, ensuring they can conduct their day-to-day transactions.
- For many older people, being cut off from cash is tantamount to being excluded from society, so maintaining free-to-use ATM access is imperative.
- Although there will be legislation through the Financial Services and Markets Bill (FSMB) to protect access to cash, it is essential for the PSR to continue to protect older consumers' access to Free-to-Use ATMs until there is further clarity from the Treasury SD12 remains the best way of achieving this.
- We would like to see a broader strategic and coordinated approach towards public awareness of access to cash in the UK, including the ongoing innovation in free access to cash from sources that are not ATMs, such as cashback without purchase.

## **About Age UK**

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances. In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high-quality health and care; are comfortable, safe, and secure at home; and feel valued and able to participate.

## Introduction

The UK's financial landscape has undergone significant changes in recent years, with the rise of digital banking and a decline in physical bank branches and ATMs. In 2021, UK Finance suggested that cash made up just 15% of payments and forecasted it to be 6% of transactions by 2031.<sup>2</sup> While this shift has brought convenience and efficiency to many, it has also had unintended consequences for specific segments of the population, particularly older people.

The Access to Cash Review, of which Age UK was a member, found that while income was the biggest driver of cash reliance, many older people are dependent on cash to ensure they are able to engage fully in society.<sup>3</sup> The PSR's own research also showed that 53% of those aged 75+ say cash is their preferred 'way of spending money or making payments for the majority' of their payment needs.<sup>4</sup> So, we welcomed the Government's decision to legislate to protect access to cash through the Financial Services and Markets Bill (FSMB).

The PSR's SD12 is designed to support LINK in ensuring it meets its commitment to maintaining a broad geographical spread of FTU ATMs to meet the needs of the public. LINK's Protected ATM Policy<sup>5</sup> operates by paying a premium on top of the normal cash withdrawal interchange rate to ATM Operators. Where LINK is notified by an ATM Operator that a Protected ATM is intended for closure or being converted to pay-to-use due to low transaction volumes challenging its economic viability, unless there is another source of cash access available or no consumer impact from closure, LINK aims to prevent this from happening. SD12 is therefore a powerful tool to LINK's work in preventing gaps in service provision and protecting those who are dependent on cash – which we know is particularly important for those older people facing barriers to banking online.

Pending the implementation of enhanced protections via the FSMB, SD12 is an essential stop gap in protecting a broad geographical spread of FTU cash points. Age UK therefore strongly supports the continuation of SD12.

## Consultation questions

- 1. How effective has SD12 been in ensuring appropriate policies and measures are in place to support the maintenance of a broad geographic spread of the FTU ATM LINK network in the UK and meet service-user needs?**

Age UK believes that SD12 has helped maintain access to cash by ensuring a coherent set of policies and measures are in place to support LINK's commitment to maintaining a broad geographical spread of FTU ATMs. It has also enhanced transparency enabling the regulator to monitor whether LINK is meeting its commitments.

The latest research from the Financial Conduct Authority (FCA) suggests that five million consumers rely on cash to make most of their purchases.<sup>6</sup> One in seven (around 750,000 people) reported that they struggled to cope, or did not cope at all, with the temporary closures of cash access points and branches during the pandemic. We know that cash dependence is highest among older people. For example, 42% of those aged 85+ rely on cash to a greater or very great extent.<sup>7</sup>

LINK's research also indicated that almost half of the population (48%) say a cashless society would be problematic. It also estimated that groups relying on cash are often digitally excluded (46%) and those in poor health (26%)<sup>8</sup> — factors which are more common amongst the older population.

Cash dependency is invariably linked to digital exclusion, with older people disproportionately left behind as banking and payment services have moved online. Those unfamiliar with digital banking will naturally be hesitant about breaking the habits of a lifetime and using a new system to make important financial decisions. SD12 remains a key component of protecting cash access in the meantime for those facing barriers to getting online.

## **2. How well the requirements under SD12 have worked in practice in relation to maintaining and replacing protected ATMs.**

The requirements have generally worked thus far, as Link's most recent ATM Footprint Report shows the 'Total Protected ATMs' to be 3,340 (a net change of +5 from the previous report).<sup>9</sup> However, with the continuing adoption of new payment methods reducing the demand for cash and ATM withdrawals, the ATM deployment market response has been to reduce the number of ATMs. This has happened independently of the interchange reduction – the reduction LINK imposed in the fee card issuers pay to ATM Operators. For example, between December 2021 and December 2022, the number of ATMs decreased from 52,547 to 51,523.<sup>10</sup> However, this was driven primarily by a fall in the number of charging ATMs, whereas the number of free machines slightly increased. The overall decline in ATMs may have caused difficulty for older people in vulnerable circumstances to undertake necessary tasks such as grocery shopping or paying for essential services. This shows the importance of these measures to help maintain FTU

cash points to facilitate involvement in everyday life for older people who may face barriers.

**3. Has the monitoring required under Section 8 of SD12 led to sufficient transparency, is any of it superfluous, or are any further aspects required for monitoring?**

Section 8 of SD12<sup>11</sup> requires that LINK monitor and report to the PSR monthly on changes to the Protected and Lost ATMs. Although LINK has previously said that the monitoring requirements of SD12 place a significant administrative burden on them, we support the PSR's requirements for LINK to continue to be transparent.

While LINK's approach to determining where protected ATMs are not replaced is set out clearly in the 'LINK Policy on Protected ATMs', we note that the publicly published data<sup>12</sup> merely lists the number in each category with partial statements rather than providing a full detailed explanation required to determine the decision made. However, we understand that in each case, a site visit is conducted following an investigation of the local factors. We recommend the reports of each site visit should be published in greater detail to help further improve transparency and provide greater confidence in the process followed.

**4. Should SD12 remain in place, given some of the broader initiatives introduced? Including, among others, the [Financial Services and Markets Bill](#)**

The Government's proposed introduction of legislation to help protect free access to cash is very welcome. Over 5 million people still rely on cash and face-to-face banking services to meet their needs. Online banking may be accessible for the majority, but many older people continue to face far too many barriers to digital access. This is one of the key reasons why the FSMB's remit of safeguarding reasonable access to cash is so important.

The Policy Statement to be published by HM Treasury will be crucial for setting out the requirements on cash access. However, until the statement is published it is not possible to conclude that SD12 should be scrapped, as doing so could significantly weaken the protections for Protected ATMs. It may be that SD12 is replicated through the Policy Statement so in future may become superfluous, but at present there is no case for abolishing it.

Maintaining it will ensure that as many cash-reliant older people as possible can get reliable access to cash when they need it. Alongside LINK's continued commitment, a broader strategic and coordinated public information campaign on cash access is required.

This will help raise awareness of the existing options, including the ongoing innovation in free access to cash from sources that are not ATMs (e.g. cashback without purchase).

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<sup>1</sup> [Call for views: First review of Specific Direction 12 \(LINK\) | Payment Systems Regulator \(psr.org.uk\)](#)

<sup>2</sup> [UKF Payment Markets Summary 2022.pdf \(ukfinance.org.uk\)](#)

<sup>3</sup> [final-report-final-web.pdf \(accesstocash.org.uk\)](#)

<sup>4</sup> [Britain Thinks Access to cash full report July 2019 \(psr.org.uk\)](#)

<sup>5</sup> [protected-atm-policy-v50.pdf \(link.co.uk\)](#)

<sup>6</sup> [One more step... \(fca.org.uk\)](#)

<sup>7</sup> [Financial Lives 2020 survey: the impact of coronavirus \(fca.org.uk\)](#)

<sup>8</sup> [the-cash-census-report.pdf \(link.co.uk\)](#)

<sup>9</sup> [january-footprint-report-submitted-to-the-psr-28th-february-2023.pdf \(link.co.uk\)](#)

<sup>10</sup> [LINK / Consumers withdraw £83bn from ATMs in 2022](#)

<sup>11</sup> [PSR Specific Direction 12 on LINK](#)

<sup>12</sup> [january-footprint-report-submitted-to-the-psr-28th-february-2023.pdf \(link.co.uk\)](#)