



## **ATM Industry Association Access to Cash Inquiry Submission**

### **Background & Introduction**

The ATM Industry Association (ATMIA) is the only trade association representing the ATM and cash industries around the planet.

ATMIA members include banks, Independent ATM Deployers (IADs), cash management organisations, equipment manufacturers, security companies, software developers and so on.

Visa and MasterCard are both members of the ATMIA.

The ATMIA is very concerned at what appear to be attempts to remove payment choice from the UK public and businesses. There seems to be a public policy vacuum, which has allowed developments which may well be against the public interest.

The UK has traditionally been a cash-based economy and has proved quite resistant to change from this position. However, it has remained a very attractive market for organisations interested in pushing alternatives to cash, for the following reasons

- English is spoken as the native tongue, as is the case in the home country of the two main international card schemes.
- 96% of debit cards carry the Visa brand, giving that company tremendous influence over the UK payment market.
- Lack of resolution of UK organisations involved in industries, such as transportation, in relation to safeguarding the Public Interest.
- The UK has no effective barriers to market-domination by multi-national organisations.
- There is no clear payment policy either at government or Bank of England level.

Cash is regarded by many as bring the last bastion against total domination by international card schemes and their numerous partner organisations. It remains

- The preferred payment of choice of tens of millions of UK citizens.
- The first choice of many who choose to use it to manage their finances minutely, to the last penny, real-time.
- The only payment method that is self-authorized, giving the holder the freedom and privacy to spend their cash as they see fit, within the laws of the land.
- A store of value, particularly in times of uncertainty – and in today's world, every dawn brings a new day of uncertainty.
- The most flexible – and cost-effective – means of exchange, when it is allowed to be by organisations responsible for its circulation.
- The cheapest form of payment for businesses to process, as evidenced by the cost comparisons produced each year by the British Retail Consortium.
- The only payment method that has the resilience to work when power and/or IT systems fail.



The time has come for the Public Interest in relation to cash to be given the highest priority and that can only be achieved if action is taken by the government, Bank of England and regulators. The public interest cannot be trusted to commercial enterprises solely focused on improving returns to shareholders.

### **The Current Position**

Cash, cheques & credit cards were the only payment methods available to the UK public until 30 years ago. 1987 saw the introduction of Debit Cards to the UK.

The introduction of debit cards completed the jigsaw of Payment Choice, which was a good position for the UK public, who had the freedom to be able to exercise choice between the four payment methods available to them.

The public exercised choice by continuing to use cash and cheques. Until 10 years ago, twenty years after the introduction of Debit Cards, cash and cheques together accounted for 70% of all UK payments.

The UK's banks and their partner international card schemes – Visa and MasterCard – evidently did not enjoy the choice the UK public had made.

Internet shopping helped the banks and their partners in their attempts to move the UK public away from cash and cheques.

In other markets, notably Germany, internet shopping started out on a cash-on-delivery basis. Not in the UK. Internet shoppers had to prepay using cards or other methods. Cash-on-delivery was not an option given to the UK public.

With 20% of UK retail sales now carried out over the internet, it is easy to see why the share cash had of retail sales has fallen over the last decade.

At first, though Visa declared a “war on cash” 10 years ago, the main attack of the UK banks was on cheques. The Cheque Guarantee Scheme was ended on the pretext of fraud losses, though in fact the banks were never able to produce detailed figures to support their claims of massive losses. Surprisingly, they could never isolate cheque fraud from the other types of fraud they faced.

With the end of the Guarantee Scheme, unsurprisingly, cheque use fell dramatically. The banks then tried to end Cheque Clearing itself to completely kill-off cheques but this was blocked by the Treasury Select Committee and, belatedly, the government.

UK Finance reported (UK Market Summary 2018) that 400 Million cheques were cleared in 2017, ironically the year the banks had intended to end Cheque Clearing. It seems cheques still have their uses as far as the public and businesses are concerned, loathed though they apparently are by Financial Institutions.

Cheques are still used to acquire cash at bank counters. This used to be a significant source of cash but the banks curtailed the service 20 years ago by insisting customers could only cash cheques free-of-charge at branches of their own bank. This coupled, with bank branch closures – the “Big Five” now have less than 5000 branches between them, compared to a peak of 12,000 - has led to a significant diminution in the amount of cash withdrawn over-the-counter at bank branches.

The position in relation to bank branches is worth dwelling on a moment.

In the EU without the UK, in 2017 there were 175,000 bank branches servicing the needs of



**447 Million citizens. One branch for every 2600 people**

**In the UK in 2017, there were 8000 bank branches servicing the needs of 66 Million citizens. One branch for every 8000 people.**

**The position grows worse literally every week, as yet more branch closures are implemented.**

**Bank branches can no longer be relied upon as a source of cash, nor as a location where cash can be deposited, either in note or coin form.**

**Apologists for the poor access to cash at bank branches sometimes suggest “Cashback” is a viable alternative. This is hardly sustainable when one considers the figures released by UK Finance for 2017, which showed Cashback as small and falling.**

**So ATMs now stand as the only viable source of cash in the UK.**

**This clearly does not suit those who have been actively waging a war on cash for a decade or more.**

**UK ATMs are virtually all connected through the LINK Network. The Network has had for 15 years an Office of Fair Trading approved methodology for transparently calculating the cost of delivering ATM transactions. Over the 15 year period during which the methodology has been used, average costs per transaction have fallen, even without allowing for inflation.**

**However, at least some banks now claim they cannot afford to meet the costs of the LINK ATM Network. They are seemingly pressurizing LINK to reduce costs arbitrarily, without reference to the approved methodology.**

**LINKs justification for reducing fees paid to ATM operators changes almost daily, as does their “guarantee” of ensuring cash is available to “those who need it”.**

**In any event, from a peak of over 70,000 ATMs in 2017, by the end of 2018 industry forecasts are that there will be only 63,000 ATMs in total. Further bad news for the UK public is that some of the free-to-use ATMs have now been switched to pay-to-use as IAD’s seek to solve profitability issues brought about by reduced fees.**

**This is particularly unacceptable because Smart ATMs COULD replace bank branches in communities around the UK, yet instead of focusing on innovation and development of the vital financial services touchpoints that they manage, LINK are engaged in a contraction exercise aimed at reducing the costs of banks that have already saved £ Billions a year by reducing their branch networks to a skeleton service.**

**Bank branch closures, reduced access to cash via cheque and now loss of ATMs are all impacting the ability of the public and businesses to use cash conveniently. The situation is so complex that, in reality, it is impossible to tell how far changes in the payment market have come about through free choice or, alternatively, through forced choices imposed by vested interests given free-rein to chase corporate profits, often at the expense of the Public Interest.**

**Internet shopping is an example already covered in relation to forced choices. So too is the banning of cash by transport undertakings such as Transport for London. Visa’s payments of incentives to restaurants to go cashless is yet another example. The cashless Dartford Crossing only one more of many.**

**It would be easy to conclude that much of the decrease in cash can be accounted for by the manipulation of convenient access to cash, coupled with some restrictions on its use in certain environments e.g. the internet.**

**Despite all of the factors weighing against cash, it was only last year that UK Finance (UK**



Markets Summary 2018) was able to report that debit card use had exceeded cash use for purchases for the first time. The report claimed there were 13.2 Billion Debit Card transactions in 2017 and “only” 13.1 Billion cash transactions.

Statisticians might well question the statistical significance of such a small variation. Indeed, it is also possible to question how estimates are made of cash use, because, of course all cash transactions are definitely not recorded. Neither of these factors seems to concern UK Finance, in their rush to declare the “war on cash” to be won. The applicable adage seems to be “don’t let the facts get in the way of a good story”.

However, it is not necessary to question the statistics too hard because the irrefutable fact is that UK cash use remains HUGE.

This is hardly surprising. Cash in circulation (notes and coins) increased to £81 Billion in 2017 –it has increased every year in the last decade - and well over £150 Billion was dispensed by UK ATMs, even though bank operators have been closing both ATMs - and their branches - at a rate that has alarmed the public and businesses almost everywhere in the UK.

Further alarm has been caused recently by systems failures, at Visa and at other service providers, which have brought home to the public the danger of relying excessively on a single payment method. The Public Interest has been perceived to have been put at risk by such reliance.

Public concern is likely to heighten further as card-related fraud continues to increase. The abandonment of the use of PIN security on contactless transactions and the eagerness of financial services operators to rush hand-held payment terminals into use by buskers and casual street vendors are just two of a number of factors that are almost inevitably going to lead to an explosion in fraud. Hand-held terminals, some of which may even be specifically created by criminals to capture and save all card details, are an obvious potential area of focus for organized crime. Ten years ago, no member of the public would have dreamed of presenting their card to such a device in the hands of a complete stranger in the street. However, their eagerness to win their “war on cash” appears to have led some card issuers and device manufacturers to lower security barriers. What is now portrayed as “normal”, at least in advertisements and PR stunts, can lull the public into a false sense of security, when in fact security is hardly in place at all.

Unfortunately, the UK Government, Bank of England and Regulators have seemingly been prepared to let the payments market be manipulated without any intervention to safeguard the Public Interest. For example, the main processor of UK payments – VocaLink – was allowed to be acquired by MasterCard without any meaningful scrutiny.

It is difficult to imagine the United States government allowing, for example, China UnionPay to make a similar acquisition in America.

The Bank of England position on cash is in stark contrast to that of other central banks. For example, Europe’s most important central bank, the German Bundesbank, openly supports cash and regularly produces detailed payment reports, analysing the pattern of payments in Germany. Meantime, the Bank of England allows UK Finance – basically, a pro-card trade association - to produce all of the UK’s meaningful payments statistics. As a result, the published statistics on payments hardly reflect the Public Interest or, arguably, reality.

Look at this “gem” from UK Finance in relation to the 13% increase in credit card use in 2017. UK Finance put forward three reasons for this, to most observers, worryingly high potential increase in personal indebtedness. The “reasons” quoted in the UK Payments Market Summary 2018 were



- Upturn in economic growth and consumer confidence post Brexit referendum
- Strong competition in the credit card market
- Increased card acceptance by merchants

This one pronouncement alone, apparently welcoming an increase in the use of high interest credit instruments, surely raises questions as to the appropriateness of UK Finance providing national payment statistics in the UK.

The UK Government has also failed to provide proper protection for public and business access to cash. For example, the government has been complicit in making the operation of ATMs needlessly expensive by allowing the Valuation Office free-rein to apply Business Rates to ATMs. The industry argued against this imposition for 15 years, but the situation continues to worsen, with the Valuation Office now seeking to impose taxes on internal ATMs. These machines had previously been exempt, but nothing it seems is now safe.

With 10% of the UK ATM estate already forecast to be lost in 2018, further losses because of the imposition of Business Rates should be unacceptable to anyone who has the Public Interest in mind.

Turning briefly to the protection of cash access being offered by LINK, it is patently completely inadequate.

Even if LINK could guarantee to keep one free-to-use ATM in place where there is no other machine within one kilometre, this would be inadequate. ATMs are devices which have operational issues including cash-outs. Every machine has some downtime each month. So one machine cannot guarantee availability of cash.

In any event, the original one kilometre ATM “pledge” has now been further watered down. Now LINK will not seek to maintain or restore an ATM if there is an alternative source of cash e.g. a post office without an ATM. Given the dubious service at small post offices, their limited opening hours and, longer term, the likelihood that they will follow bank branches on the road to extinction, the changed LINK “pledge” can fairly be judged to be worthless.

The public have had bad experiences with such “pledges”. For example, UK banks once “pledged” to keep “the last branch in town open”.....

Moving on, LINK stress the point that they are seeking to protect access to cash for those “who really need it”, with the number of around 2 million quoted as being this minority group.

Frankly, this is a script right out of the anti-cash bible. Many millions of UK residents CHOOSE to use cash and the vast majority of the population use cash at some point every month. Safeguarding access to cash is NOT a minority interest and should never be portrayed as such by anyone who has genuine regard for the Public Interest.

With LINK impotent or complicit or both, steps now have to be taken by the Government, Bank of England and Regulators to ensure changes are made to preserve and improve existing access to ATMs and cash.

Below we identify the actions required to ensure cash is available as a Payment Choice to everyone who chooses to use it in the UK.

### **Actions Required**

- **Crucially, All businesses should be obliged by law to accept cash payments.**



- Wholesale supply of cash should be directly controlled AND operated by the Bank of England, not subcontracted
- Transparency must be created in every element of cash circulation.
- The Bank of England should be responsible for producing all payment statistics in the UK, following the example of the German, Swiss and other central banks.
- All existing denominations of cash must be retained and circulated conveniently for the public and businesses.
- ATM service standards should be created and rigorously enforced.
- Every community must have convenient access to at least two ATMs.
- Cash Management competition should be encouraged. No one operator should be allowed to have all of the Big 5 banks cash-in-transit contracts.
- ATM pooling by banks must not be permitted.
- LINK must be allowed to operate ATMs itself, where no alternative operator can be found.
- LINK must be obliged to operate ATMs in areas where cash access is not available within one kilometre; post offices and Cashback are not substitutes for ATMs.
- Barriers to market entry for IAD's must be removed; the US model of network access for IAD's should be adopted.
- Smart ATMs can replace lost bank branches. They must offer note and coin deposit and withdrawal, at a minimum. LINK must be made responsible for ensure such ATMs are made available in every community in the UK, operated by a variety of organisations, with a fallback of LINK operating them itself.
- LINK must focus on innovation.
- LINK must be fully transparent, revealing, for example, year-on-year changes, by member, of how many ATMs are operated.
- No one utility should be allowed to operate UK ATMs. Competition is necessary to safeguard the long-term future of cash circulation.
- Future funding options for cash circulation via ATMS must be considered by an independent inquiry.
- Incentives to encourage cashless businesses – and all similar activities - must be prohibited.

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