

# Keep taking the cash

*John Howells, chief executive of Link, explains the measures being taken by the UK network to ensure cash can still be accessed despite the accelerating closure of ATM machines*

**S**tall holders, street performers and even some *Big Issue* sellers – it seems everyone in the UK is moving to cashless payments. But a close look at the facts shows that talk of a cashless society is premature.

The use of cash has been in decline for years. Between 2005 and 2015, the number of cash transactions in the UK fell from 24bn to 19bn and this is projected to more than halve, to below 9bn, by 2025. But this still represents 20 per cent of payments. And while at one end of the spectrum, the number of people who rarely use cash is growing, so has the number who rely on it. So cash will continue to play an important role for many years yet.

As the dominant ATM network in the UK, with just under 70,000 cash machines processing 3bn transactions a year, this is an issue we at Link take seriously. We do not issue cards or run the ATMs – that is the job of our 37 issuer and acquirer members – but cash is our business, and, as a not-for-profit company owned by its members, we have a strong public interest objective.

UK consumers have come to expect free banking and 98 per cent of cash withdrawals are free. Link sets the interchange – the per transaction fee paid by issuers to ATM operators – which enables this free access. That is significant, not just because at £750m it is a big number, but because the amount affects the number of ATMs and their location.

It is Link's job to balance the competing consumer and commercial interests to make sure the public keeps free cash access. But we believe the current system is not sustainable. While demand for cash has been falling, the number of ATMs has almost doubled since 2001. But rather than an even geographical spread, we have seen an increasing concentration of ATMs in urban centres that are already well served.

To address this imbalance and halt the proliferation in city centres, Link has reduced the interchange fee by 20 per cent from 25p to 20p. This will be done slowly over four years to allow time for the market to adjust. We have also introduced a financial inclusion programme under which there are different interchange rates for different areas, ensuring that people who use cash are able to access it easily, irrespective of their location. This should also encourage operators to install or keep ATMs where the need is greatest, in less affluent areas. Under the programme, a 10p interchange

premium is paid for each transaction from machines located in a deprived area that is a kilometre or more away from another free ATM. But, despite this incentive, some, particularly rural, areas have still seen cash machines disappearing.

Now we have gone further. We increased the maximum amount of the premium to 30p per transaction on 1 July and we are also expanding the programme to protect the interchange rate in more rural areas across the UK where communities rely on only one ATM.

By increasing the subsidies and the coverage, we believe we will be able to reverse the decline in ATM numbers in those communities that need them most, at the same time as putting the network on a more sustainable footing. This is only part of the answer. Longer term, the reduction in the

“ *There is a concentration of ATMs in urban areas that are already well served* ”

volume of cash transactions will continue – this year, digital payments have overtaken cash for the first time – and the industry will need to adapt. One way is to set up shared branches and shared ATMs. There are also opportunities to explore new channels such as Post Office counters or directly via retailers' tills, and Link will be investing in these areas.

An Access to Cash review, paid for by Link, but with an independent board, has also been launched, with an expert panel drawn from charities, payment providers and consumer groups. It will engage stakeholders from across the country to gain a better understanding of the need for and use of cash over the next 15 years. By thinking about the future now, the UK will be in a strong position to ensure cash continues to play a role for those who need it most. ■



*John Howells is the CEO of LINK, the independent ATM network operator in the UK. Appointed in 2011, John has more than 20 years experience of working in the financial services and technology sectors*