



Experts in Business

ATM Network Inquiry

FSB response to the Scottish Affairs Committee

Federation of Small Businesses Scotland
April 2018

Overview

Small businesses across Scotland are concerned that the proposals from LINK,¹ the UK's largest ATM network, could lead to the closure of many free-to-use cash machines and affect the supply of cash in local economies. As such, the Federation of Small Businesses (FSB) welcomes the opportunity to respond to the Committee's inquiry into the ATM network.

FSB is Scotland's leading business organisation. As experts in business, we offer our members a wide range of vital business services including advice, financial expertise, support and a powerful voice in government. Our mission is to help smaller businesses achieve their ambitions. These micro and small businesses comprise the majority of all enterprises in Scotland (98%), employ around one million people and contribute £68bn to the economy.

Summary

1. A free-to-use ATM network is a key component of a healthy local economy. Currently, Scotland has a network of 5,150 free-to-use cash machines.²
2. Cash remains the most frequently used payment method by consumers.³ An FSB member in East Lothian, for example, reports that only 15% of transactions in his stores are paid for by card – a figure that is common in the convenience sector.⁴
3. Free access to cash for consumers is threatened by LINK's proposals to reduce the fee paid by card providers to cash machine operators. As a result, FSB and consumer group Which? have formed a new campaign urging the Payment Systems Regulator to intervene and scrutinise LINK's plans.⁵ So far, over 76,000 have signed our petition.
4. While the exact number of ATMs set to close is unknown, FSB believes that around one in 10 Scottish ATMs could close. This figure could rise to around one in five in remote and rural communities.⁶
5. A study published by Which? earlier this year found that 130 areas could be particularly badly hit by LINK's proposals, including: Argyll and Bute; Berwickshire; Edinburgh West; Perth and North Perthshire; Ross, Skye and Lochaber; and Roxburgh and Selkirk.⁷
6. Many of the 258 bank branches in Scotland that have closed (or are set to close) between 2016 and 2018 are likely to have a knock-on impact on ATM closures.

¹ See: <https://www.link.co.uk/about/news/link-moves-to-secure-future-of-free-atms/>

² See: http://www.parliament.scot/S5_EconomyJobsFairWork/Inquiries/BC022-LINK_Scheme.pdf

³ "UK Payments Markets Summary", Payments UK, 2017.

⁴ See: <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11480>

⁵ See: <https://campaigns.which.co.uk/save-our-cashpoints/>

⁶ Which? cite figures from KPMG and Link in their response to the committee's inquiry.

⁷ *Ibid.*

7. The economic impact of ATM closures could be considerable. Recent Which? research⁸ highlights that:
 - a. One in five (22%) consumers would be less likely to use local businesses
 - b. One in seven (16%) consumers would find it more difficult to pay for products and services
8. Further, UK-wide FSB research demonstrates the business impact of potential ATM closures:
 - a. 9% of small businesses would lose over £50 a day in revenue from not having access to a cash machine
 - b. 13% of small businesses fear they would lose customers if their nearest cash machine wasn't operating

Small business and ATMs

Bank closures are a regular occurrence in communities across Scotland with RBS, Bank of Scotland, TSB and others continuing to substantially reduce their branch network. By the end of the closures programme, FSB expects a network of under 800 branches servicing a population of 5.4m and over 365,000 businesses.⁹

Although technology has enabled greater choice and control for business customers, one in two small business owners have directly experienced a closure and have highlighted a range of additional costs that have emerged as result of these closures. These include problems managing cash flow, increased overheads, productivity losses and reduced footfall.¹⁰

While this Committee has scrutinised the impact bank branch closures have on businesses and the wider community, the impact closures have on the ATM network has received less attention. This is despite the fact that many ATMs are based in, or nearby, bank branches. According to FSB research, many of the 258 bank closures in Scotland will have included the closure of free-to-use cash machines.

Set against this context, the measures published by LINK to "rebalance the UK's ATM network"¹¹ and reduce the interchange rate by 5% is a concern for many small business owners. This could affect around 5,000 free-to-use cash machines given that LINK's Financial Inclusion Programme will only apply to 221 Scottish ATMs.¹²

In spite of LINK's assurances that they will "do whatever it takes to retain free access to cash for all communities", FSB believes that their plans will lead to around one in 10 ATMs closing in Scotland – a figure which could rise to one in five in rural communities.

The economic impact of these closures could be significant; indeed, nine in 10 people in Scotland reported that free cash machines were important to their everyday lives, with one in two viewing them as essential for day-to-day life.¹³

⁸ *Ibid.*

⁹ See: https://www.fsb.org.uk/docs/default-source/fsb-org-uk/cr_bank-branch-closures-inquiry_apr18-final.pdf?sfvrsn=0

¹⁰ "Locked Out: The Impact of Bank Branch Closures on Small Businesses", FSB, October 2016.

¹¹ See: <https://www.link.co.uk/about/news/link-moves-to-secure-future-of-free-atms/>

¹² See: http://www.parliament.scot/S5_EconomyJobsFairWork/Inquiries/BC022-LINK_Scheme.pdf

¹³ See: The response to the Committee's inquiry from Which?

Certainly, the LINK proposals will compound problems for local businesses who are already experiencing an unreliable and poorly maintained ATM network:

"The ATM is currently causing a lot of headaches in the village. The machine is past its sell-by-date. There was an ATM in the Post Office but it was costing them a lot of money so that had to go". **FSB member, Lochinver**

The business impact of ATM closures

A free-to-use ATM network is critically important for small business owners and their customers. It is of particular importance for local retailers since since 76% of transactions are in cash according to the Scottish Grocers Federation.¹⁴

Notwithstanding the growth in debit card and mobile payments, on average, local ATMs inject some £16 per withdrawal directly into nearby stores, which amounts to £36 billion a year. Further, more than a third of total high-street spending is contingent on the ready availability of cash machines.¹⁵

As a result, the closure of free-to-use cash machines represents a threat to the viability of some local businesses who are already facing tough trading conditions. Businesses in the 130 areas highlighted by Which? – for example: Argyll and Bute; Berwickshire; Edinburgh West; Perth and North Perthshire; Ross, Skye and Lochaber; and Roxburgh and Selkirk – have thriving local economies which could be particularly affected by LINK's proposals. Moreover, the retail sector, a key part of healthy high streets across the country, could also face significant challenges if free-to-use cash machines close:

"If I lose that ATM, it will be devastating to my business and I do not know how I will overcome that." **FSB member, Prestonpans**

Recent Which? research clearly highlights the business impact that would emerge from ATM closures, namely that consumers would be less likely to use local businesses (22%) and find it more difficult to pay for products and services (16%). This is reinforced by FSB UK-wide data which shows that 9% of small businesses would lose over £50 a day in revenue from not having access to a cash machine. Unsurprisingly, this has led to over one in 10 (13%) small businesses fearing the loss of customers.

Recommendations

FSB believes that the economic impact of ATM closures merits greater scrutiny. As a result, we have outlined a number of recommendations for the Committee to consider:

1. The Committee should recommend that the Payment Systems Regulator step in and scrutinise LINK's plans.
2. The Committee should write to LINK to establish how many ATMs in Scotland will close as a result of their plans.

¹⁴ See: <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11480>

¹⁵ "Bank Branch Closures Debate", House of Commons, June 2016.

3. The Committee should write to all banks with a branch network in Scotland to find out how many ATMs have closed following branch closures and how many are set to close.

Further information

For further information please contact Barry McCulloch, Senior Policy Advisor at barry.mcculloch@fsb.org.uk.



Experts in Business

The FSB is Scotland's largest direct-membership organisation. It campaigns for a better social, political and economic environment in which to work and do business. With a strong grassroots structure and dedicated Scottish staff to deal with Scottish institutions, media and politicians, the FSB makes its members' voices heard at the heart of the decision-making process. It is therefore recognised as one of Scotland's most influential business organisations. The FSB also provides a suite of services to help our members reduce the cost and risk of doing good business – from legal and tax protection to business banking.

74 Berkeley St, Glasgow, G3 7DS

t: 0141 221 0775

e: Scotland.policy@fsb.org.uk

w: www.fsb.org.uk/scotland

Twitter: @FSB_Scotland