

What ever happened to Scrip ATM and what is Point-Of-Banking anyway?



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When I got into the ATM business back in the Antebellum era of ATM retail deployment, so called Scrip ATMs were the only way you could charge a convenience fee. Visa and Mastercard had bans on consumer surcharges in what was then an interchange only model for their ATM networks. Simply stated issuing banks could charge their customers “disloyalty fees” for using another bank’s ATM. But the acquiring bank was paid a foreign transaction interchange fee by the card issuer for allowing their competitors customers to use their ATMs. Bankers were happy with that arrangement because ATM’s were mostly located at their bank branches to discourage their customers from utilizing a live teller (ergo Automated Teller Machine:). Occasionally banks would place an ATM at a very busy retail locations as a convenience for their customers. Independent Sales Organizations (ISO) seized the opportunity to fill the retail ATM void through regional ATM networks which did not have surcharge bans.

Fast forward to 1996 when what was then Cirrus (Mastercard) and Plus (VISA) announced the lifting of their surcharge bans. Around the same time low cost cash dispensers combined with the growth in the popularity of PIN Debit at point-of-sale (POS) drove cash dispensing retail off-premises ATM deployment. Subsequently network rules defined Scrip ATM withdrawals as POS PIN Debit transactions which spelled the quiet end of Scrip ATM or so some thought. A lawsuit was filed in 2004 against the STAR Network that resulted in a little known and even less understood decision which created Point-of-Banking (POB) as it exists today. Why is no one talking much about it today except for some specialized POS merchant acquirer resellers that monopolize the online search engines? It seems like a natural solution for merchants that might not meet Merchant category Code (MCC) POS Merchant underwriting prohibitions.

Perhaps POB is due for a comeback? Think of the advantages for the consumer and merchants. Merchants can charge a convenience fee and face minimal chargeback risk. Consumers can transact at the checkout counter and are not limited on POS cashback restrictions. The bigger question is what are the rules for POB? What are the interchange rates and who gets the interchange settlement? Try googling that one! The fact is that the U.S. payments industry which has experienced unabated consolidation for three decades is one of the least transparent financial system in the world. It is time for a second look at POB and transparency on the rules.

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