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Dear Convenor

Thank you for your letter. I was pleased to have the opportunity to appear before the Committee in June and to have the chance to respond to your letter as part of the inquiry into the Impact of Bank Closures.

I have set out our response below to correspond with the different sections of your letter.

Introduction

As the Committee acknowledges, banking and financial services is changing rapidly. The growth of FinTech, coupled with the advent of Open Banking, is set to transform the industry.

The most visible manifestation of this is the way in which most customers are changing the way they carry out everyday banking transactions – rapidly adopting digital banking, whether it is through the internet and or mobile banking apps.

As evidenced by SFE in their submission to the inquiry, the proportion of retail sales taking place online rose to 17.2% in February 2018. The average branch has seen the average number of visits fall by 26% between 2012 and 2017.

We are responding to changing customer behaviour and investing in digital banking to provide the ease and convenience which digital banking provides and customers want. We recognise that branches remain a vital part of serving customers and while we have closed branches to reflect the fall in usage, we have also continued to invest in our branch network, recognising that a physical presence on the high street is still a vital part of delivering an omni-channel service.

However, we recognise the impact branch closures has had on some customers, particularly those who do not wish to or are not able to adopt digital banking and wish to continue to do their banking in person and in their local community. We also recognise that these customers often come from more vulnerable groups.

We agree with the Committee that it is important as the industry undergoes the transition to a predominantly digitally led banking world that we work together to ensure these customers are not left behind.

Social Impact

We appreciate that when we close a branch some customers will be inconvenienced and a small number of customers have difficulty in accessing services appropriate to their needs. We also understand that some customers only want to do their banking face to face and in the community where they live.

As a Bank we are working hard to ensure customers have as many options open to them as possible – branch, telephone, internet mobile, Post Office, ATM. Seeking to ensure that all customers can continue to access banking services in a way which suits their needs.

When closing a branch, as well as the alternative methods of banking mentioned above, we also consider a number of other factors, including the distance to the nearest Clydesdale Bank branch, public transport links to that branch and the availability of other bank branches in the area.

Charities and Community Groups

Clydesdale Bank has a long history of working with the Post Office to provide banking services and we continue working with them to raise customer awareness of the service and improve the customer experience.

As part of our ongoing work to raise awareness of the Post Office service, we can see merit in looking at how we can ensure community and charitable organisations understand the options available at the Post Office.

When closing a branch, we work with the local Post Office to make sure that customers understand the services available and help them access these services. We also engage with local organisations who are also branch users to understand their needs and the options available to them, including the Post Office. In the event of any future closures we will consider what more we can do to specifically engage with these organisations to ensure that they understand the options available to them at the Post Office.

Impact on Businesses

We agree with the Committee that continued access to cash services, whether it is depositing cash or access to coins, remain important issues when considering branch closures. While the use of cash is declining (we would note that recent figures from the British Retail Consortium show that card payments now account for over 75% of all retail sales), we appreciate that many businesses, particularly in rural areas, remain reliant on cash.

As with retail customers, business customers can use the Post Office for their day to day banking needs, such as the provision of change, but also in allowing them to deposit cash within the community they operate in.

However, Cash in Transit services, such as those offered by G4S, are increasingly an option for smaller businesses. While there is a charge associated with these services, it has become an economically viable option for a greater number of businesses. These services also have the benefit of allowing business owners to have cash uplifted securely from their premises and deposited directly to their bank.

In addition, advances in technology mean that 'smart safes' are now being offered by Cash in Transit (CIT) providers as a possible option. While the technology continues to evolve, this allows

businesses to deposit cash directly into a secure box in their businesses premise, which is the responsibility of the CIT provider and is covered by them in case of theft. We are tracking developments in this area and considering how we might make these services available to our customers.

As per the Committee's recommendation, we are happy to engage with Scottish Enterprise and Highlands and Islands Enterprise to look at how we can work together to help business access the services they need. We suggest that these discussions take place at an industry level to ensure a consistent approach.

Access to Banking Standard

Since its introduction, Clydesdale Bank has complied with the Access to Banking Standard and its predecessor the Access to Banking Protocol. We support the Standard and believe that oversight by the Lending Standards Board should help build confidence in the Standard and the process which it mandates on banks when closing a branch.

As part of adhering to the Standard, we undertake extensive proactive communication both with our customers and stakeholders to make them aware of the closure and help understand its impact and what more we can do to mitigate that impact. Where possible we take action on requests. For example, in a number of areas, we have reexamined our decision about retaining an ATM in particular communities. Most recently, in Mastrick in Aberdeen we have agreed to retain an ATM close to the site of the branch following engagement with local stakeholders.

With regards to the increased uptake of digital banking services, we are clear that this is being driven primarily by customers rather than by the Bank. In addition, we do believe that these digital services offer customers a quick and convenient way to do their banking and we will actively promote them to ensure that those customers who wish to, can access the benefits of digital banking. Equally, where we have closed a branch, making sure that customers of that branch are aware of all of the alternatives available to them, including digital banking services is important.

There is more that both the industry and government can do collectively to ensure people are aware of what the Standard is designed to do. In particular, it is important that customers understand that it governs the process by which a branch is closed and is not a consultation on the closure itself, which remains a commercial decision for the bank.

While the Bank does not consult directly with customers in a particular location ahead of closing a branch, we do use a variety of methods to understand what customers want. Both our research and the continued decrease in branch footfall clearly shows that a rapidly increasing number of customers want to do most of their day to day banking using digital methods.

The decision to close a branch is ultimately a commercial one and we do not believe that there should be consultation in a particular location ahead of the decision to close a branch. However, once a closure has been announced, we believe that banks should do all they can to communicate with customers and engage with stakeholders to understand their concerns and what more can be done to mitigate the impact of the closure.

Bank Buildings

While the decision to close a branch is a commercial one, we are conscious of the impact this may have on the wider 'high street' in individual locations. We are keen that former bank buildings are

put back into use as soon as possible after the branch has closed, whether this be in a commercial context or through use by the community.

The circumstances of each branch closure are different – a small number of branches closed in recent years are owned by the Bank, with the majority being leased. Of those branches, some leases will be due to expire at the point or soon after the branch closes, while others may still have a period of time to run.

Given these varying circumstances, we believe that providing a commitment to a particular approach around community involvement is problematic. For example, where the Bank has exited a building and the lease has expired, it is solely up to the landlord to determine its future use. Where there is still a period of time left to run on the lease, it may be possible for an organisation to sub-let the building or take the lease over on a more permanent basis, but this would require the agreement of the landlord and is often not straightforward. In the small number of locations where the bank still owns the building, our preference is to sell the building rather than become a landlord. However, where this proves difficult we are happy to engage with community organisations over a potential lease of the site and are actively doing so at present in one particular location.

We suggest that the approach to every building needs to be taken on a case by case basis to determine what level of community engagement is appropriate. However, we are willing to report back to the committee in 12 months time to provide an update on the status of our branch buildings.

With regards to credit unions taking over vacated branch buildings, where there is interest and it is appropriate to the circumstances, we would be happy to engage with the local credit union regarding occupying a former branch building.

Maintaining Banking Provision

While appreciating that we work in a competitive market, we are keen to work together with other banks to discuss how we ensure that we maintain adequate banking provision for customers throughout Scotland.

We are happy to support and attend any 'banking summit' which is organised by the Scottish Government.

Online and phone banking

We welcome the committee's acknowledgement of the work banks are doing to help customers access digital and phone banking services. We put significant effort into ensuring that staff in closing branches are able to proactively help customers understand the alternatives which are available to them, including digital and telephone banking. We also organise specific events in branches due to close where we encourage customers to come in and learn more about how they can access digital banking.

As detailed above, there are a range of options available to customers in addition to digital and telephone banking, including access to other Clydesdale Bank branches and the Post Office.

Post Office

Clydesdale was one of the first banks to work with the Post Office to provide banking services.

The Committee will be aware that a consistent framework to cover almost all UK banks was introduced in early 2017. An action plan to raise awareness of banking services available at Post Office branches in local communities with lower bank branch coverage was launched earlier this year and along with the rest of the industry we remain committed to continuing to raise customer awareness.

While we would not suggest that the Post Office is a direct replacement for a branch, it provides a good alternative means of undertaking day to day banking transactions within local communities. As highlighted in SFE's response to the inquiry, on the most recent figures, there are 1,403 Post Offices in Scotland. 99.7% of the population live within three miles of a Post Office, and in every postcode district at least 95% of the population are within six miles of a Post Office. While individual opening times vary from Post Office to Post Office, it is common for opening hours to be longer than is traditional for bank branches. As a result, communities which have never been served by a bank branch have access to basic transactional banking services within their local communities. As part of the action plan mentioned above, there is a commitment to "Provide enhanced support for vulnerable consumers to be developed based on Citizens' Advice best practice guidelines.

We are always happy to explore new ways to improve the service provided to customers through the Post Office. With regards to working with the Post Office on the remuneration of Post Masters, we note that as part of the framework introduced in 2017, a revised charging structure for the provision of banking services which was common for all banks was put in place. This involved an increase in the fees which Clydesdale Bank had previously been paying for the provision of banking services in the Post Office.

Credit Unions

Clydesdale Bank provides banking services to a number of credit unions across Scotland. We are conscious of the important role they play in communities. The Bank currently provides credit unions with a 50% discount against the standard fees which are charged to business customers. We regularly discuss with our credit union customers the most efficient and cost effective way for them to access the services they need. This may also include how they access Cash in Transit services through providers such as G4S to help them organise their cash management needs - particularly where they might not have a branch nearby.

I hope this response is helpful and I am happy to discuss any aspect of it in more detail.

Yours sincerely,



Gavin Opperman