



Susan Allen
Head of Customer Interactions
Santander UK plc
2 Triton Square
Regent's Place
London, NW1 3AN

Mr Gordon Lindhurst MSP
Convenor, Economy Jobs and Fair Work Committee
The Scottish Parliament
Edinburgh
EH99 1SP

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Dear Mr Lindhurst,

RE: Bank closures: impact on local businesses, consumers and the Scottish economy

Thank you for your letter of 30 August outlining the recommendations made to the banking sector in the Committee's report into the impact of bank closures on local businesses, consumers and the Scottish economy. In this response I have sought where possible to reflect the headings of your letter. I hope this reply is helpful to the work of the Committee.

Branch services are integral to the way Santander serves its customers in Scotland and across the United Kingdom. We have invested extensively in our branch network in recent years to ensure that it meets customers' changing needs. Between 2013 and 2017 we refurbished 34 branches in Scotland, investing nearly £13m. This refurbishment programme continues and more branches will be refurbished in Scotland this year and in 2019.

To serve our customers in the best possible way we need to adapt to the changing ways in which they are choosing to bank. As the Committee's report notes, the way people are banking is changing rapidly, with digital methods fast replacing face-to-face banking in branches as their preference for many types of transaction. The number of people banking online continues to increase: between 2016 and 2017 internet banking grew by 12 percent. Over the same period we saw transactions carried out in Santander branches across Scotland fall by 9 percent year-on-year. The way that customers choose to bank is changing and we are investing to ensure that we are able to offer a banking experience that reflects these changing preferences.

Despite this growth in use of alternative banking channels, many customers continue to seek face-to-face advice, particularly for key financial life moments such as taking out a mortgage, seeking investment advice, or taking out life insurance. Branches will therefore continue to play an important role. Although we have fewer branches than in the past, we have more large branches bringing together specialists who can offer that face-to-face advice.

We also recognise that some customers wish to continue to access transactional day-to-day banking over the counter. To ensure the provision of face-to-face banking services in areas where Santander does not have a branch, I am fully supportive of the banking services provided by the Post Office, including cash deposit and withdrawal facilities. With a network of more than 11,500 branches, the Post Office is often the most convenient provider of these financial transactions. Indeed, provision of financial services is ensuring the Post Office has a bright future and an important role in communities



across Scotland, with it seeing a 10 percent increase in banking transactions in 2017, supporting the network's revenues and sustainability.

Social impact and vulnerable customers

Santander has a well-developed approach to supporting vulnerable customers who may be affected by the closure of a branch. When we announce a closure, the branch team proactively contact identified vulnerable and elderly customers to ensure their banking needs can continue to be met. This includes all customers over the age of 75 that have visited the branch in the last 12 months, as well as those customers who have sight impairments or mobility issues, Power of Attorney or are known by the team to be vulnerable.

Branch teams receive additional training on how they can support vulnerable customers at this time, including access to a dedicated advisory support tool. The team are able to offer vulnerable customers assistance in a range of ways that will help them to continue banking after the branch has closed. Support can include walking customers to the Post Office to introduce them to the Post Office team and demonstrate how to transact, introducing them to staff in a neighbouring Santander branch or helping customers to switch their account to another nearby provider. The team also takes the time to talk to vulnerable customers about how they bank, changing the frequency of statements, ordering cash cards and demonstrating how to use ATMs and contactless cards.

Through this comprehensive approach we aim to ensure that all of our customers, whatever their circumstances, understand how they can continue to bank after a branch closes.

Impact on Businesses, charities and community groups

We recognise that organisations that often deal in cash, such as small businesses, community groups and charities, rely heavily on being able to access over the counter banking services so that they can deposit or withdraw money.

Santander has a longstanding agreement with the Post Office, developed through Alliance & Leicester and formerly Girobank. Under this arrangement, Santander's business customers, as well as community groups and charities with a business account, access day-to-day banking services including depositing and withdrawing cash through the Post Office, and do not usually have access to Santander's counters. Our business account customers are usually much closer to a Post Office than a bank branch, meaning that it is often more convenient and time efficient for them to deposit cash in this way.

The Committee is right to point out a growing preference by consumers for cashless payment methods and to call for banks to support businesses in adapting to this. We actively support our business customers to respond to this change, encouraging them to adopt innovative payment solutions as well as advising on how they can use digital channels through our Breakthrough in Branch Microsoft Masterclass programme.

To enable small businesses to access digital payment options, we partner with Elavon Merchant Service to offer the capability to take payment by credit and debit card as well as contactless or Apple Pay services. This allows them to receive funds the next day. Businesses also have access to iZettle, a mobile app and card reader which accepts prepaid cards, Chip & PIN, contactless, Apple Pay and Android Pay. These payment services are easy for our business customers to adopt, allowing them to trade efficiently and meet their customers' preferred payment options. We actively highlight the benefits that these payment methods provide and encourage their adoption.



Access to Banking Standard

The decision to close a branch is always taken very carefully and seriously. When assessing our branch network we use a range of factors to inform any decision we make. We track footfall within branches and the number of customers that are choosing to use in-branch services. This provides us with a comprehensive view of how our branches are being used and the value that our customers are getting from them. As noted above, we are seeing a year-on-year fall of 9 percent in counter transactions in Scotland and expect this trend to continue.

We also look at how many customers of a branch are using alternative channels, including another Santander branch, digital or telephone services or the Post Office. For example, of the nine branches closing in Scotland in 2018, nearly nine in ten customers of each branch had used an alternative channel recently, indicating that they are already using alternative means of banking. We know that people are using our branches less and this coincides with a rise in the use of alternative forms of banking, which many of our customers find more convenient.

The Access to Banking Standard was implemented following the independent review of the Access to Banking Protocol by Professor Russel Griggs and is based on his recommendations. Accordingly, we support the Access to Banking Standard as an independently-designed system to support customers in the case of bank branch closures, and overseen by the Lending Standards Board. Santander is committed to its obligations under the Standard and acts in line with these commitments. When we take the decision to close a branch we communicate with customers and a wide range of stakeholders - as required under the Standard. We listen closely to feedback and publish the measures we are taking in order to respond to community concerns that have been raised with us. Our branch teams endeavor to ensure that customers with concerns are provided with the right assistance, which can include guiding customers towards other methods of banking that they may not be aware of or introducing them to the banking services that the Post Office can provide.

Bank buildings

When we vacate a branch, unless there is a lease that is due to expire, our agents are instructed to market the premises for either sub-lease or lease assignment on leaseholds, or for sale if we own the freehold. Of the nine branches closing this year, six are still to be closed – five of these are leaseholds with leases expiring in 2019 and 2020 and one is a freehold. The properties are openly marketed and we welcome any bids from organisations that approach us, including community groups.

We are more than happy to work with community groups that approach us when these properties go to market. I would be happy to let the Committee know the situation of the six branches mentioned above in 12 months as requested.

Maintaining banking provision

Santander is working closely with the banking sector as a whole and the Post Office to ensure that communities have access to banking services. The industry has invested substantially in supporting the Post Office's Banking Framework, which allows it to provide banking services on behalf of 27 banks, offering a universal day-to-day banking service.

When assessing whether to close a branch we take into account whether there is a Post Office nearby, ensuring that a community continues to be able to access over the counter day-to-day banking. We then work closely with the local Post Office to ensure that they are supported during the closure of the branch, answering any questions they may have and providing advice. Our branch teams also take



the time to introduce customers that prefer to continue face-to-face banking to the team at the Post Office, demonstrating how they can continue to bank.

Online and phone banking

As the Committee notes, a growing number of people are choosing to use internet and mobile banking services and we are adapting to ensure this demand is met. Increasingly, people are only using branches for non-regular major financial decisions, such as taking out a loan or mortgage, or for complex queries.

I understand that some people are not comfortable with digital banking and we take significant steps to support customers that may need help accessing services in alternative ways. Many of our branches run group or one-to-one sessions where customers can learn how to use digital or telephone banking, with our team explaining the processes and guiding customers through transactions. In addition, we have as part of our Scam Avoidance School campaign - which focuses on teaching our 'over-60' customers how to recognise fraudulent contacts through email, text or phone - held 90 sessions in Scotland this year, with more than 1,600 attendees.

As has been noted previously, the Post Office, with its extensive network, is able to provide day-to-day banking services for those people that are not comfortable using digital or telephone banking services and are not able to access a branch.

Post Office

The Post Office is committed to maintaining the size and accessibility of its network of branches, with at least one of its 11,500 branches being within a mile of 93 percent of the population and three miles of 99.7 percent. This unrivalled coverage, along with the Post Office's commitment to maintaining this network, is why it makes such a suitable partner for the provision of banking services. In addition, extending the provision of banking services is a core business priority of the Post Office. Our experience is that many post masters appreciate the business that they receive by providing banking services, as the extra footfall provides them with income directly from banking services as well as a larger audience for further services provided in the Post Office branch. We are the biggest revenue generator for the Post Office through financial services, representing around 20 percent of the Post Office's financial transactions and the fees we pay for this are an important source of income for the Post Office network.

Whilst I understand why some people may feel there is a difference between accessing transactional banking services in a branch or Post Office, I would disagree that there are significant differences with regard to security and privacy. Account balances are provided to customers on a folded piece of paper, just as in a bank branch, and transactions are carried out through a secure chip and pin card machine. Transactions which would require greater privacy, such as discussions around finances, are not carried out in a Post Office. Customers are very supportive of the Post Office's services, with this channel receiving a customer satisfaction score of 93 percent last year.

The industry recognises the importance of building awareness of the Post Office's ability to provide banking services. In response to the Economic Secretary to the Treasury earlier this year the industry, UK Finance and the Post Office have embarked on a substantive programme of joint work to increase awareness of the Post Office's banking services. UK Finance, the Banks and the Post Office have developed a five point plan, which is currently being progressed, which includes:

1. Actions to raise awareness of banking services available at the Post Office;

2. Actions to support specific communities, including those impacted by branch closures;
3. Promotion of the Post Office as an integral channel for day-to-day banking;
4. Enhanced support for vulnerable consumers; and,
5. Ongoing monitoring of awareness and confidence in the Post Office counter service.

Banks are in the process of revising customer collateral and websites to give more prominence to the Post Office. The Post Office, working together with UK Finance and the banks, has developed a trial local media campaign to run during October 2018 in two locations, in the North West of England and the East Ayrshire, Dumfries and Galloway area of Scotland. These areas have been identified as areas where more than 30 percent of the population live more than 3 miles from a bank branch and as such are seen as prime locations for promoting use of the Post Office's banking services. I look forward to seeing the positive impact that I believe these trial campaigns will have on the awareness of the Post Office's banking services.

Credit Unions

Santander has a small number of credit unions as customers. Credit unions which are customers of our corporate banking division will already use the Post Office to access cash counter services and therefore are unlikely to experience a change in the way in which they bank as a result of a branch closure.

On the question of credit unions taking over bank branches, we would certainly be interested in hearing from these organisations when we market premises. Whilst we do not specifically approach credit unions, all premises, both freehold and leasehold, are openly marketed by our agents. All offers are welcome and will be fully considered.

Thank you for taking the time to write to me with the Committee's recommendations. Although the role of the bank branch is changing, it continues to play an integral part in the way Santander meets customers' needs. We are committed to ensuring that our customers are able to access banking by their preferred route, whether over the counter via a Santander branch or the Post Office, by telephone or digitally.

If you have any other queries please do not hesitate to get in touch.

Yours sincerely,



Susan Allen, Head of Customer Interactions