



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

Lloyds Banking Group plc
The Mound
Edinburgh
EH1 1YZ

Sent by email

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Dear Gordon,

Economy, Jobs and Fair Work Committee Report

Thank you for your letter of 30 August setting out the findings of your committee's inquiry.

The committee is right to reflect that banking needs are changing. Technological innovation is transforming our society and economy and customer behaviour continues to evolve. As choice has expanded more of us seek out convenient and frictionless ways to fulfill our banking needs be it in branch, online, by telephone, through the Post Office, on weekdays, at night or on weekends. Over 80 percent of Bank of Scotland customers are using more than one channel.

In recent years online banking has become the channel of choice for the majority of our customers. Most new product openings by our customers are done digitally. Lloyds Banking Group is now the largest digital bank in the UK with over 14 million customers. As this change occurs our interaction with customers, across all channels, has increased by 60 percent. At the same time branch transactions alone have declined by a fifth.

We must therefore reshape our business to meet the rapidly evolving needs of our customers. As we do this, branches will remain an important part of our multi-channel approach. Although we have made changes to our branches we still maintain the largest network of any bank in Scotland and expect to maintain this position. We have deliberately taken the decision to be more measured in the way we reshape our network, and to consider a range of alternative ways for our customers to undertake day to day banking.

For instance, we continue to grow our network of mobile branches for our personal and business customers. They operate across 12 routes and serve 108 communities, offering a stable service that stops at the same locations and at the same time against a published timetable. They offer an industry leading range of services including cash transactions and payments, account servicing with immediate faster

payments and other services such as ordering foreign currency, reactivating ISAs or credit card activation and balance transfers. All of our new mobile branches are compliant with Equality Act and our existing fleet of five legacy vehicles will be upgraded over the next three years.

Because branches are vital to our strategy, we are delivering new branch formats as part of a wider programme of investment in our network. This includes deploying new technology to make everyday banking more convenient and giving the branch a contemporary feel. This helps us to meet the changing needs of different communities. We have also launched a new video banking service which provides our customers with face to face mortgage advice in branch and in their homes.

The Post Office provides access to an additional 1400 branches across Scotland for the day-to-day banking needs of our personal and business banking customers. We agree that more needs to be done to better communicate this partnership which is why we are fully committed to the five-point programme of joint work agreed between UK Finance and the Post Office and supported by HM Treasury. This will raise awareness of banking services available at the Post Office. As part of this, two pilot media campaigns are being delivered in areas identified as having greater customer need. One of the pilot areas is in Scotland covering East Ayrshire and Dumfries and Galloway. The media pilots will be timed to coincide with Post Office in-branch campaigns across 9,000 locations, UK wide.

As we innovate we are using our scale and reach to support individuals, businesses and third sector organisations to keep pace with the technological and societal changes with which we as a bank are contending. As a Group we committed in 2017 through our Helping Britain Prosper Plan to train 2.5 million individuals, SMEs and charities in digital skills and internet banking by 2020. We are on course to meet our 2018 target of 700,000 individuals, SMEs and charities. We are delivering this in Scotland through digital know-how workshops for small businesses and charities, working with vulnerable customers in deprived communities, teaching digital skills to school children through code clubs and working in partnership with Google and the Scottish Council for Voluntary Organisations (SCVO). While this activity is replicated across our industry and by competitor banks we believe there is a role for the public sector. To that end, I am encouraged by the committee's recommendation that the enterprise agencies in Scotland play a more proactive role in supporting businesses to leverage technology to strengthen and grow their businesses, including embracing digital payments. Lloyds Banking Group stands ready to support these efforts.

Finally, I want to reflect on the committee's important consideration of credit unions and how the banking industry supports this vital sector. The committee's report urges banks to consider limiting charges on credit unions for using their cash services. However, as witness evidence from the credit union sector highlighted to your committee, Bank of Scotland does not charge credit unions for cash handling services. Furthermore, as a Group we are very supportive of credit unions and have provided £5million to the sector since 2014 through our Credit Union Development Fund. This fund has supported 10 credit unions to date in Scotland, facilitating more than £5 million in additional lending through the sector.

I do hope this information is helpful and want to thank you for providing me with an opportunity to reflect on the findings of your committee.

Yours sincerely,



Robin Bulloch
Managing Director, Lloyds Bank and Bank of Scotland
Lloyds Banking Group