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Convener
Economy, Energy and Fair Work Committee
The Scottish Parliament
Edinburgh
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Dear Gordon,

Response to Economy, Jobs and Fair Work Committee Report *Bank Closures: impact on local businesses, consumers and the Scottish economy*

1. Introduction

1.1 The Economy, Jobs and Fair Work Committee's report on the work of its inquiry on *Bank closures: impact on local businesses, consumers and the Scottish economy* provides a detailed and timely examination of the impact of branch closures on communities across Scotland.

1.2 The Scottish Government welcomes the work of the committee and the contribution made by stakeholders from the businesses and communities affected by changes to the bank branch network.

1.3 Taken in conjunction with Highlands and Islands Enterprise's research into the impact of bank branch closures in the HIE region and the work of the Scottish Affairs Select Committee, the Committee's work has given communities the opportunity to voice their opinions at the highest level.

1.4 While regulation of the banking sector remains reserved to Westminster, the banks have a central role in Scottish economy and society and their actions affect us all.

1.5 The Committee's report correctly identifies that regulation of the banking sector is reserved, and that the Scottish Government is unable to compel banks towards any particular remedy or course of action. Many of the Committee's recommendations call for action to be taken by the UK Government or by the banking sector in response to the issues identified.

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1.6 The Scottish Government has established a positive working relationship with Scotland's banks and has used, and will continue to use, this relationship to raise the issues of bank branch closures and the needs of Scotland's communities and businesses directly with the banks.

1.7 As well as direct contact with the banks, the Scottish Government has raised these issues via the Financial Services Advisory Board (FiSAB) and in discussion with financial sector industry bodies Scottish Financial Enterprise and UK Finance.

1.8 The Scottish Government has publicly called on the banks to consider the needs of Scotland's communities, and especially the needs of the most vulnerable members of those communities who are least able to take advantage of the alternative services offered by the banks.

2. Forum on Banking

2.1 The Committee has called on the Scottish Government to "call a summit with the high street banks in Scotland to discuss issues and possible solutions including shared banking hubs."

2.2 Although RBS's most recent round of closures has brought the issue of branch banking to the fore, this is an issue that affects all banks and any solution must involve all banks. While the banks have not announced further closures, it seems likely that branch networks will continue to decline as technology continues to change the way that many people choose to access banking services.

2.3 Earlier this year the Scottish Government convened a roundtable discussion between the main Scottish banks on the issue of branch closures and the provision of banking services. The Scottish Government will continue to engage with the banks on this issue and in a wider discussion on the role of banking and financial services in supporting Scotland's economy.

2.4 Scotland's rural communities are particularly affected by the recent branch closures. The Scottish Government has established a Rural Community Liaison Group made up of Rural Parliament representatives including Scottish Rural Action, SCVO, The Consumer Council, DTAS, HIE and rural academics. The group discussed their shared concerns around banking services at a meeting on 21 August 2018 and are considering place-based solutions.

2.5 Community groups have an important role to play in working with banks to identify relevant solutions and ensuring that future provision of banking services meets the needs of consumers and businesses across Scotland. The Scottish Government will continue to engage with these groups to understand and address their concerns.

3. Branch Buildings

3.1 The Committee has asked the Scottish Government to work with banks and local authorities to find the best solution for use of buildings when a bank branch closes.

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3.2 Bank branches often have a prominent place in high streets in our town and villages, and their presence is seen by many as a visible sign of the health of the local economy.

3.3 We want our towns and town centres to be vibrant, creative, enterprising and accessible. The Scottish Government is promoting and supporting the regeneration of Scotland's towns and town centres, including our small towns in rural areas.

3.4 We are promoting a Town Centre First Principle to ensure planning and investment supports the regeneration and sustainability of towns and town centres. The principle is a call to central government, local authorities, communities and our institutions to put the health of town centres at the heart of decision-making processes which drives public sector investment decisions, aligns policies, and targets available resources to prioritise town centre sites and encourage vibrancy and diversity.

3.5 The Scottish Government has developed tools and resources to support this process including a Town Centre Toolkit and a Place Standard Framework designed to support communities, public, private and third sectors to work together to assess the quality of a place and identify priorities for the future.

3.6 We fund Scotland's Towns Partnership to provide information, support and services which contribute to the vibrancy, vitality and viability of town centres, neighbourhoods, regions and partnerships. This support includes toolkits, resources, strategic engagement, town centre audits, learning and networking; and developing local partnerships, including Business Improvement Districts. Business Improvement Districts will look at building more resilience into their towns and cities to withstand future challenges

3.7 The Scottish Government will continue to engage with communities in towns to bring community empowerment to life and support regeneration across our towns and neighbourhoods. This includes expanding community ownership and creating opportunities for people to come together to develop their community aspirations. And, we will continue to invest in community empowerment through a range of funds that support community led regeneration in our towns and neighbourhoods.

4. Alternative Providers

4.1 Banks are not the only provider of financial services on our high streets. Essential banking services are also provided by credit unions, building societies and through the Post Office network.

5. Credit Unions

5.1 The Committee welcomed the Scottish Government's commitment to raising awareness of the role of credit unions. This activity is continuing and later this year the Scottish Government will deliver a national credit union awareness raising campaign, running for four-weeks, to highlighting the importance of credit unions as a community-based, not-for-profit financial institutions.

6. Post Office

6.1 Post Offices also offer lifeline access to services and like banks provide a central hub role in many communities. The Scottish Government recognises the importance of post offices to local communities and economies in Scotland.

6.2 Post offices and postal services are reserved, however the Scottish Government has made clear to both the UK Government and Post Office Ltd that they have a responsibility to ensure that existing services are maintained rather than reduced.

6.3 The Scottish Government supports the committee's call for the UK government to consider how best to support the Post Office network in terms of infrastructure and investment to ensure that it is able to meet its increased role as a provider of financial services.

6.4 We continue to fund Citizens Advice Scotland's research into post office outreach services and how consumers can influence provision in rural areas.

6.5 The Scottish Government will also discuss with banks how to raise awareness of the post office banking service and the other channels customers can use to access services, to ensure that customers are aware of and able to access the full range of services offered.

6.6 Post Office services and banking services are both central to many local economies. Banks and the UK Government have a role to play to ensure that the Post Office network remains strong. Diversification, through the provision of banking services, is one way of increasing the security of the network and protecting the post office's role at the heart of the local community.

7. Access to Banking Standard

7.1 The Committee has called on the UK Government to consider whether an independent impact assessment, including the impact on local economies, should be carried out before a decision is made and to replace the Access to Banking Standard with a statutory model which includes the requirement to consult and which covers ATM provision.

7.2 The Scottish Government agrees with the Committee's call for review of the access to banking standard. The Standard is, incorrectly, perceived by many to be a model for consultation with communities on bank branch closures, but is instead a set of guidelines on what information will be presented to customers in the event of a closure decision. There remains no channel by which customers can influence the banks' decisions on provision of services.

7.3 Decisions on how to provide banking services to customers are ultimately commercial decisions for the banks. However, improving communication with customers and providing a channel for constructive discussions about the future of banking within communities at an early stage, when a branch is identified as 'at risk' would provide customers with greater clarity on the actions of their bank and the opportunity to influence the design of future service provision within their communities.

8. Cash and ATMS

8.1 Access to cash and the ability to deposit cash has been identified by the Committee as a key issue, particularly for small businesses and rural communities.

8.2 The Scottish Government will consider how to support businesses in moving to online payment methods, however it is clear that there will be a continuing, long-term need for access to cash banking services in Scotland.

8.3 Changes to the UK's ATM network, in conjunction with reductions in bank branch networks have the potential to reduce convenient, free access to cash for many. The Scottish Government has already raised issues of changes to the ATM network with LINK. As LINK's changes to the interchange rate applied to transactions begin to take effect, the impact on the ATM network will become apparent. We will monitor and raise any further concerns with LINK, and the payment Systems Regulator.

8.4 We welcome the Payment Systems Regulator's recent announcement that it will take regulatory action by requiring LINK to set out more explicitly how it will maintain the broad geographic spread of free-to-use ATMs across the UK.

9. Digital Services

9.1 The Scottish Government is supportive of the financial services sector's adoption of new technology and is supporting the growth and promotion of Scotland as a centre of excellence in financial technology.

9.2 In common with many economic sectors advances in technology offer our financial services businesses the opportunity to offer new and innovative services and deliver those services in new ways.

9.3 The Scottish Government has been clear that we welcome these developments and welcomes the choice that such advances offer to users of financial services.

9.4 We are supporting greater access to digital services across Scotland, and have exceeded our target of 95% broadband coverage and are now working towards a target of 100% superfast connectivity for homes and businesses.

9.5 We are also improving mobile connectivity, with the award of a contract to deliver new masts to boost 4G coverage in remote areas.

9.6 However, not all customers are able to take advantage of these services and there remain circumstances in which many customers need, or prefer to access face to face services.

9.7 Choice remains essential – banks should ensure that no customer is left behind and that the pace of bank branch closures and changes to service channels work with customers.

10. Next steps

10.1 The Royal Bank of Scotland is also conducting a review of the planned closures of 10 of its branches in Scotland. We await the findings of the independent review into those closures and whether the review suggests or recommends any particular course of action or any judgements on the future of bank branch services.

10.2 Taken in conjunction with the Committee's report and the extensive evidence provided by community and business representatives during the committee's inquiry, the Scottish Government will use all available evidence to inform its next steps as we continue to engage with banks and community groups.



KATE FORBES