



Citizens Advice Scotland evidence

Economy Energy and Fair Work Committee evidence on Bank Closures

December 2019

Citizens Advice Scotland (CAS), our 60 member Citizen Advice Bureaux (CAB), the Citizen Advice consumer helpline, and the Extra Help Unit, form Scotland's largest independent advice network. Advice provided by our service is free, independent, confidential, impartial and available to everyone.

In 2017-18, the Citizens Advice Service network helped just under 300,000 clients and dealt with almost 800,000 advice issues for clients living in Scotland. With support from the network clients had financial gains of almost £138 million, and our self-help website "Advice in Scotland" received approximately 3.2 million page views.

Key points

- Branch closures have a detrimental impact particularly on elderly, vulnerable and rural customers
- Scotland has been disproportionately affected by closures compared to the rest of the UK
- Customers who rely on a local branch are unable to take advantage of competition in the banking market due to lack of local choice in many areas
- Other alternatives give cause for concern around lack of access, lack of privacy, lack of proximity, lack of equivalent services, when compared with a local bank branch
- Technological changes allow for greater convenience for some consumers but are not a replacement for the functions of a local branch, nor are they accessible for all consumers
- Banks need to do more to comply with the spirit of the regulatory framework around provision and closure of branches
- Access to a bank branch is no guarantee of provision of a bank account for some people

Introduction

Citizens Advice Scotland welcomes the Committee's interest in bank closures.

We think that the interest is timely given the announcement of the closure of 17 TSB branches in Scotland to take place in 2020, which followed a previous announcement in April 2019 that 71 branches in Scotland would open for only two or three days a week.

Although technological changes to banking have created more convenience and more choices for many consumers, we are concerned about those who may be left behind. Moving customer engagement from branches to telephone and online banking affects the viability of the banking services which currently have a physical presence in communities. Vulnerable consumers may be particularly adversely affected if they have no or limited access to the internet, and if they are reliant on cash for transactions. The impact of exclusion is greater in rural areas because of the relatively lower base of branch provision to begin with, the disproportionate weighting of branch closures and loss of ATMs in these areas, and the distances involved in accessing alternatives.

CAS calls upon the banking sector to continue to maintain reliable access to bank branches, especially for those who are most dependent upon it. Vulnerable customers already pay

disproportionately more in interest and charges and so already contribute over the odds towards the maintenance of the branch network. It is incumbent upon the banking industry not to exacerbate problems, especially for those who are vulnerable or living on low incomes, by continuing to close bank branches.

Closures

According to Which?,¹ 399 branches in Scotland have been closed by all banks and building societies combined since 2015, out of 3,314 across the UK (12.0% of all closures, as opposed to an 8.3% population share). The City of Edinburgh is the local authority area with the joint-highest number of closures across the whole UK (with Cornwall).

It has been suggested that customers could use market forces as a way of sustaining the branch network, by switching their business to banks which invest in branches. This is unlikely to work for several reasons: the minority of customers who most rely on branches may not have sufficient consumer power by themselves to sway branch closure decisions; Scottish customers tend to be quite loyal, and are less likely to “vote with their feet”; and consumer choice is meaningless in circumstances where only one bank branch is left in an area, and there is no effective choice to be exercised.

A client visited their local CAB to report that, following a recent bank closure, they had to open an account with a different bank which had the next-nearest branch. He does not use internet banking and would find it very difficult to travel to the next town to use the next-nearest branch of his existing bank (reported by a CAB in the East of Scotland).

Impact of closures

Although usage of branches has declined, access to a branch remains vital for a number of banking functions, and it also reflects the preferences of many consumers. Also physical branches, compared to some of the alternatives, can provide more confidence that confidentiality will be respected. People with mental health difficulties or other vulnerabilities can build up a trusted relationship with a few employees in a branch and the continued presence of branches can give assurance and a sense of control over matters which can be stressful for anyone to deal with.

Access to banking has also become more important for many people as a result of recent welfare reforms. The DWP insists that the Universal Credit is paid to a bank account, whereas legacy benefits were commonly paid into post office accounts. Many people in Scotland are being required to open bank accounts – some for the first time. The process of beginning a relationship as a bank customer is easier if it is supported by staff face-to-face in a branch.

¹ See www.which.co.uk/money/banking/switching-your-bank/bank-branch-closures-is-your-local-bank-closing-a28n44c8z0h5.

A CAB client received a letter from the Department of Work and Pensions asking her to open a bank account to receive her State Pension. She was unhappy with this, as she already had a Post Office card account and did not want to change. The client also stated that she was partially sighted, and struggled to use ATMs to access cash (reported by a CAB in the West of Scotland).

We also note that branch closures have wider impacts beyond simply access to banking services. The removal of any essential service, including banks, post offices and libraries, reduces patronage of High Streets and cashflow in local economies. The removal of any one such essential service increases the economic incentive for the withdrawal of more, or even all of them.

Alternatives to branches

Online banking

We have noted above that some people are either excluded from, or are reluctant to conduct, banking online. This may be for reasons of access, skills, motivation or confidence. Reluctance levels are generally higher for online banking than for using the internet for other reasons, such as to access information or engage in social media, because those with limited online experience tend to prefer engagement where they perceive less risk.

Mobile banking vans

Some consumers rely on mobile banking vans, especially in areas where there is no branch or where a branch has been closed. Clearly, access to a van is better than no face-to-face service at all in a community, but it is reasonably common for vans only to be present in smaller communities once or twice a week for a couple of hours. This places the onus on consumers to arrange their other business to allow them to be available when the vans are present.

We have heard some concerns that mobile banking vans are not physically accessible because of steps in and out, with no wheelchair ramps available. This can lead to situations where banking staff must leave the van and conduct personal banking business with customers outside the van on a pavement or in a car park. As well as the privacy concerns, consumers are subject to the risk of their business being disrupted because of inclement weather.

An elderly and vulnerable CAB client visited her bureau to discuss a local bank branch closure. She had used the mobile banking van but was concerned by a lack of privacy in doing so. She was reluctantly using an internet banking app but did not feel confident using computers for this (reported by a CAB in the North of Scotland).

Community-based bank employees

Some banks employ community liaison staff who can offer to meet customers in their homes or in other community locations (e.g. libraries, community centres). Although this service may be useful to some, there seem to be a very limited range of banking functions these staff can perform: they cannot, for example, accept deposits.

Post offices

Many people including CAB clients access some basic banking services through post offices and sub-post offices. Access arrangements mean 99% of the UK population live within three miles of a

post office, and 98.7% of the population in rural areas do so. Post Office Ltd maintains that this is a valuable opportunity to make the post office network sustainable. It appears however, that views at the operational level are more mixed.²

A CAB client sought advice about obtaining her benefit payments as her local post office was closing. This limited her access to banking facilities, and she requested a food parcel (reported by a CAB in the North of Scotland).

Customers have also reported concerns about the privacy of communications of a financial nature, and that not all post offices are able to provide all the banking services which sub-post offices are supposed to be able to provide (such as providing mini-statements on request). There have also been reports of customers being unable to access services for practical reasons (e.g. queues too long and post offices being temporarily unable to accept deposits because they have exhausted supplies of deposit envelopes for the appropriate bank). This can cause frustration and these issues would be less likely to be experienced in a bank branch.

Shared branch provision and community franchises

Shared branch facilities allow banks to maintain a physical presence in a community which would otherwise not be served, and could be an opportunity to be a hub with other non-banking services.

The regulatory framework

Access to Banking Standard

The Access to Banking Standard's main aims are to ensure customers are notified of intended closures, given greater clarity for the reasons for doing so, and receive more direct and proactive support in making alternative arrangements. It is supervised by the Lending Standards Board and applies to all banks which have signed up to it. However, as the Scottish Parliament's Economy, Energy and Fair Work Committee heard during a previous inquiry, there is little confidence that it will achieve substantive change in maintaining the branch network, or in making the alternatives more satisfactory. Indeed in its first review the LSB has identified that even the limited form of support which the Standard provides has not ensured full compliance. Welcome as this development is, the Standard's first year of operation has not addressed the wider concerns about the network's shrinking.

Access to branches – EU law

Chapter IV of the [Payment Accounts Directive \(2014/92/EU\)](#) makes provision for access to payment accounts. Para. 1 of Article 16 makes express provision that a banking system which relied on payment accounts with "*solely online facilities*" would be insufficient for guaranteeing consumer access and preventing distortions of competition.

Access to bank accounts

Unfortunately having access to a branch does not always guarantee continued access to banking services. We would also draw the Committee's attention to the issue of difficulties in opening and keeping open some bank accounts as the following examples illustrate.

² See National Federation of Subpostmasters evidence to the House of Lords Committee on the rural economy.

A CAB client reported that she was struggling to open an account to have his Universal Credit payments made into, because she could not provide the requested ID. Her tenancy, utility bills and council tax are all in her partner's name. The client reported that her benefits were currently being paid into her partner's account but that she had been told that this would not be allowed to continue (reported by a CAB in the North of Scotland).

A CAB client reported that her bank account had been closed with only seven days' notice in which to make alternative banking arrangements. She had no idea why it had been closed and the bank had refused to tell her. She also reported that the bank had put a fraud marker against her, meaning she could not open a basic bank account elsewhere either. When contacted, the bank confirmed that they are not obliged to tell people why they have closed an account. The client received all her wages and benefits into the account and is currently unable to pay direct debits, including for car insurance (reported by a CAB in the East of Scotland).

We have also heard from CAB clients that banks will sometimes automatically close an account where a customer has been made bankrupt. This can have a devastating effect on that person's financial rehabilitation. Banks already have protection under Scottish insolvency law against a trustee administering a bankruptcy trying to recover sums paid out of a bank account by a debtor, before the bank receives official notice.³ So there may be a need for more power for regulators, or a greater willingness to use powers they have, when banks close accounts without needing to do so and which causes detriment to consumers, especially consumers who are vulnerable.

³ Sections 86(8)–(10) of the Bankruptcy (Scotland) Act 2016.