

Impact of Bank Closures

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Briefing Note on RBS Branch Closures

Currently I own and operate a small newsagent in Coldstream in the Scottish Borders which has recently been affected by the closure of the nearby Bank of Scotland branch. Previously I worked in the City of London for Investment Banks as a Business Analyst.

I provide this summary of my thoughts on matters arising through this spate of bank branch closures that may not have been considered as yet.

Background

The spate of closures of High St bank branches is set to continue. Nowadays these branches merely provide a service to their retail and SME customers and sell virtually nothing of value to the bank that cannot be sold through a digital platform with or without the intervention of a 'roaming' relationship manager.

In order to understand the situation we have to remember why these branches were built in the first place. These grandiose and monolithic buildings, housed the offices of the clerks and managers that were required in the pre-digital age and just as importantly these people and the presence of the branch, generated the major part of the bank's income. The introduction of computers and centralisation of processes started the decline in the viability of these branches and this was exacerbated by the rise in contribution of what is now known as Investment banking to the bank's bottom line.

The future of retail banking on the High St is non-existent and the only remaining service that banks need to provide to their retail and SME customers on the High St is access to cash – both deposits and withdrawals.

Impact of Branch Closures on Local Community

Despite all the noise in the media about the loss of this amenity to the local population, the locals manage to survive and readily adopt alternative practices. However the impact of this is most consequential to the local businesses on the High St that have seen a dramatic drop in footfall past their shop windows. This is not a new problem and not one entirely of the bank's making it merely exacerbates the problems for High St businesses given the advent of online shopping.

What services have been lost?

- a) Access to cash – deposit and withdrawal
- b) Account servicing
- c) Form handling
- d) Financial Advice
- e) Social – Raison d'être

The first four are obvious but what has been lost in all the discussions to date on bank closures and the future of the High St is the social value of the amenity to the elderly. Waking

up in the morning with a sense of purpose, something to do, a place to go is really important for many elderly and lonely citizens. Today they will go to the bank to withdraw £20 not £100 that would do them the rest of the week because they know and would like to visit the bank again with the social interaction that entails. The value of the social purpose of a local bank branch (and Post Office branch) cannot be quantified (some have tried with the Post Office and arrived at a figure in the billions of pounds).

Replacement of services by Post Offices

The Postal Services Act of 2011 and its predecessors enacted legislation that requires Post Office Ltd to provide 'outlets' within a reasonable range to the vast majority of the UK Population. In order to meet that requirement, POL receives an annual subsidy from the Government without which these access criteria could not be met. It has been stated that, prior to the NT project, out of the 11,500 or so branches that existed then less than 3,000 were profitable and POL themselves struggle to make a profit from their own Crown Branches.

High St banks have, to some extent, ensured that their retail customers can have access to replacement banking services (Cash and Balance enquiries) at their local post office and this is acknowledged as being vital. However, there is now a financial link between the bank and POL that is required to be profitable. The bank charges its customer for withdrawals and POL charges the bank and pays a proportion of this to the operator of the Post Office in question.

The financial relationship between the four parties (customer, post office operator, Post Office Ltd and the bank) must be investigated for it seems that the banks are taking advantage of POL and the Government subsidy that POL receives in order to provide a useful service to their customers.

In addition the Network Transformation project has resulted in a great reduction in the fees that are paid to operators of these new style branches many of whom have now just a single, open plan, post office counter next to their retail till. These circumstances are certainly not conducive to increased banking work for little payment and higher risk as these operators face the increased possibility of armed robbery as well as paying for any counterfeit notes they inadvertently accept.

Whatever agreement POL reached with the banks in terms of accepting increased work at their counters as a result of bank branch closures has not taken into account the amount of money that these banks stand to save as a result as well as the amount they will make in the future through retention of their retail customers because of the presence of a PO in their town.

Buildings

When the bank leaves, the building remains. Often architecturally interesting yet functionally inept for today's High St. In the past they were suitable candidates for conversion into pubs and restaurants but the novelty of that has declined along with those trades. While the banks will obviously maintain these buildings until they are sold on they often remain empty for long periods or are sold for significant discounts. It could be suggested that the banks 'donate' these buildings to the community that helped pay for them. Given the likelihood that the remaining bank branch buildings will become redundant it would be prudent to undertake a study to account for what happened to the buildings of the branches that have already closed

and the number that are likely to close in the future particularly into an ever declining retail business environment on the High St.

ATM Provision

Recent changes to the internal payment structure of the Link network will take time to make an effect on the provision of free to use ATMs and it is certainly possible that we will see an increase in fee based ATMs. An ATM (external) however provides 24 hour access to all bank customers and it could and should be seen as a preferred alternative to cash withdrawals at a local post office. Cash use is in decline but it remains the preferred method of payment for many businesses as well as their customers. Limited access to cash provision can lead to problems within smaller communities and this has been highlighted recently when the new £1 coin and plastic banknotes were introduced while the older ones were withdrawn.

When bank branches close thought should be given to relocating the Bank's ATM to a nearby business or providing support to such a business to acquire one.

Post Office Bank

Much has been said about the possibility of a Post Office Bank being set up to replace these bank branches that have closed. Unfortunately Post Office Ltd has tried, most recently with a Current Account, and has failed completely. They rely heavily on the Bank of Ireland for the provision of financial services and are now severely limited in providing additional services given the change in structure of the network due to the NT Project. Thought should be given to a new and imaginative way to deliver retail banking services to the High St perhaps sponsored or supported by the banks collectively.

Scottish Rural Bank Branch Closures An Alternative Proposal

Summary

This proposal is aimed at those small towns in Scotland who have been or will be affected by the ongoing spate of Bank Branch closures. It takes into account the amount of money being saved on an annual basis by these large banks when they close such branches and provides a more equitable solution to the local community faced with no access to banking facilities while also providing the banks with a continued presence in the town albeit for shorter hours.

A shared solution

It is proposed that in each town where the last bank branch has been closed or is planned to close, a dedicated space is provided within a local High St business (the Host) that will allow the bank and/or other banks to provide an almost complete range of counter services to their customers.

The space provided would include a counter and a small meeting room. The Host will also be provided with an external, free to use ATM. The Host will provide power, heat and light as well as a broadband connection. The counter will be provided with a computer and printer that can be used by all participating banks.

Security will be provided with alarms and CCTV as well as provision of a safe. The Host will provide access to the secure area as and when required by Security Van Staff. Note and Coin Counting equipment will be provided.

The Host will ensure the banking area is kept clean and prepared for the arrival of whichever bank is due to attend on a daily basis.

The Host will provide non secure storage facilities to each bank for items such as stationery, display adverts etc. The Host would also provide adequate toilet facilities.

Cost

The cost of provision of these services by the Host to the banks will be shared by the participating banks who will also ensure that there is no cost to the host for the provision of the ATM in terms of risk and business rates etc.

Method

Bank staff would arrive to the Host to find the area set out as per their requirements – displays, adverts etc. They would connect to their bank's host system via the computer provided. The counter staff would have access to a cash supply provided from the secure area by the Host in order to service counter withdrawals and similarly deposits. At the end of their visit they would count and reconcile all cash stored back by the Host with required paperwork to confirm. Secure delivery services to be provided by a third party and the costs of this met by the banks.

Commitment

In order for this to be acceptable to the Host in providing dedicated space from his business there should be an upfront commitment to an extended rental period of up to 5 years.

Obvious Benefits

- More hospitable presence for the bank in the town
- More privacy for the customer
- Increased footfall for the retailer
- Provision of an ATM on the High St
- Shared costs for banks
- No need for mobile branch
- Could lead to additional banks coming back to area
- Far greater range of services able to be offered to retail customers
- Could lead to use of closed retail outlets on High St

Risks

- Need more than one bank perhaps to make it an economic proposition
- Vetting of hosts may require supervision and audit
- Lack of use could lead to closure

Alternative suggestion

I have raised this many times before with the Scottish Government and will re-iterate that the Post Office Network will continue to collapse until such time as the current management are removed or an independent Scottish Post Office is established. There is no doubt that commercially astute management, given a clean slate to start again could make a better job of managing the network and could make it a profitable and attractive proposition for potential franchisees to take on. As it stands the Post Office network in Scotland should not be seen to be a potential alternative to Bank Branch closures as just as many are likely to close in the near future due to falling income. The first step in realising this is a problem is by taking control of it and seeking to have provision of postal services devolved to the Scottish Parliament.

Bank branch closures are happening all around the world. It is not a unique problem to the UK and clearly just a response to the changes that the Banking Industry have seen over the last 50 years or so. The decline of the branch network will continue and if a solution needs to be found then it must address the very real possibility that there will be no need at all for physical interaction between customer and bank in the future.

The loss of the bank branch is also only a small part of the decline of the High St retail industry. Only imaginative and unique solutions will stop / reverse this decline and it may take many attempts to find one that works. We should be attempting these solutions now before it is too late.

I place great importance on the social value of the High St. As you get older, social interaction is perhaps one of the few motivating factors to get you out of bed in the morning; it provides a reason to be, to do, and to look forward to. The High St is a meeting place not just a shopping precinct.

Finally - you need to get some specific detail about banking at the Post Office from the Sub postmaster's perspective. They get paid so little for a time consuming transaction and have to accept most of the risk involved as well. When you get paid so little for providing a service you don't always get the brightest staff and you often don't want to do the business at all.

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