

Impact of Bank Closures

Scottish Charity Regulator

Written Evidence - Bank closures: impact on local businesses, consumers and the Scottish economy

The Economy, Jobs and Fair Work Committee (the Committee) are undertaking an inquiry on the impact on local businesses and consumers of bank closures. The Committee has put out a call for written evidence asking a number of specific questions.

The Scottish Charity Regulator (OSCR) is established under the Charities and Trustee Investment (Scotland) Act 2005 ('the 2005 Act') as a Non-Ministerial Department (NMD) forming part of the Scottish Administration. OSCR is the registrar and regulator of over 24,000 charities in Scotland.

Our evidence is informed by a recent project we undertook focusing on charities and banking. Through events and direct contact we received a number of concerns from the charity sector about banks. These concerns vary, but are ones that could increase should banks continue to close and not put sufficient measures in place to support their customers by other means. Our regulatory remit and general interest is because many of the concerns have the potential to lead to ineffective financial management which can then have a detrimental impact on charity governance and potentially put charitable funds at risk.

1. Has your business been affected by closures of local banks or will such closures impact on your business in the future?

When charity trustees set up a bank account they tend to use one of the local and most commonly used banks, often those they are already using for personal banking. Some charities also rely on having access to a local branch to carry out frequent transactions such as banking cash/cheques or seeking advice. Many charities rely on public cash donations and fundraising and will as a result visit a local branch fairly often to bank the cash raised; the closure of local branches make it more likely that banking of such funds will happen less frequently which could put the funds at risk in the interim.

We would suggest that it is most likely smaller charities that access local branches and charities with an income less than £25,000 make up over half of the Scottish Charity Register.

The key areas we identified during our research that cause tensions between charities and banks are:

- Lack of understanding about the sector particularly the smaller charities' operating environment

- Complex and lengthy processes for change of signatories on bank accounts
- Online banking availability and services
- General opening account difficulties.

While there are other ways to conduct these transactions, having access to the local branch is viewed as important as a means of direct contact on issues that may arise. If appropriate measures are not put in place for charities to transact with banks through other means, many of the issues faced by charities with banking are likely to increase. This could put them at further risk of poor governance and increase the risk that charity trustees will fail to comply with their legal duties as set out in the 2005 Act.

2. If so, in what way? What could be done to mitigate any negative impact?

We have described the possible impact above. To mitigate impact we would suggest that appropriate measures be put in place to make sure that charities can carry out their banking effectively online or over the telephone.

Online banking was one of the issues highlighted by our research with the service provided online by banks varying significantly – some not providing the facility at all to such customers. Should branches close, it is vital that services are accessible online/phone and there is clear information to help and support charities to use it.

For example charities change signatories frequently (as trustees change). The process to change for some is complex and we have heard numerous accounts of forms being lost and the process taking over six months. Many banks also expect new signatories to be physically present for identification at a branch. If branches close this will make this process more difficult. An easy way of doing this online would become crucial.

This type of issue also impacts new charities setting up new bank accounts. Depending on the bank there will be varied requirements for the verification of individuals – many will involve trustees being present at the branch. Again clear online measures with appropriate support for those who are inexperienced in using such facilities will need to be put in place to allow new accounts to be opened.

OSCR has worked in partnership with stakeholders including banks to mitigate the issues faced by charities and banking. This partnership working has been positive and [guidance for charities](#) has been produced as-well as an infographic guide for banks on voluntary sector. We have also presented at the Scottish Committee of Bankers. Our hope is that banks consider the impact on the voluntary and charitable sector of branch closures, consult with the sector and put in place usable solutions for them to manage their banking effectively.