

Impact of Bank Closures

Age Scotland

Introduction

Age Scotland welcomes the opportunity to contribute to the Economy, Jobs and Fair Work Committee's inquiry on bank closures.

Over the last 25 years, nearly half of all bank branches across the United Kingdom have closed. That means nearly 10,000 branches have disappeared from our High Streets, towns and villages.

In Scotland, systematic branch closures have been happening at an alarming rate. There are now a third fewer bank branches in our communities than there were in 2010.

For context, towards the end of 2017 the Royal Bank of Scotland announced plans to close 62 Scottish branches, of which 10 appear to have been saved in the short term, and the Bank of Scotland's parent group (Lloyds Banking Group) announced eleven locations which were to shut their doors. Furthermore, a recent announcement from the Royal Bank of Scotland will see a sizeable reduction in access to their mobile branch services.

Age Scotland believes that the closures of bank branches have a negative impact on older people in Scotland.

In March 2018 Age Scotland hosted a "Town Hall" event with the Bank of England's Chief Economist¹ in central Scotland to discuss many matters relating to the economy. As part of this event we conducted four focus groups with 24 older people to get their views. One of the liveliest sections related directly to bank branch closures and access to services.

We will address the sections of your inquiry that best relate to the needs and views of older people in Scotland based on our research.

Will future closures of local banks impact on you as a consumer or local organisation, or have you already been affected by such closures?

1. Older peoples' preference for branches

The footprint of banks in our communities has shrunk at an alarming rate. A third of Scotland's bank branches have closed in the last eight years and half of all UK branches have disappeared over the last 25 years.

Age Scotland is concerned that not enough banks are considering the needs of the current and future population of older people.

Most older people express a preference for in-branch banking. They like the face-to-face service, the chance to talk to real people in order to visibly deal with any issues they have

¹ <https://www.bankofengland.co.uk/events/2018/march/town-hall-airdrie?sf86718823=1>

and seeing their banking transaction take place, while receiving a paper record to prove it. For those who have forgotten their PIN, using the chip and sign card facility in-branch means they are able to access their money.

We are told by older people that dealing with a call centre for enquiries which they used to undertake in branch can be unnecessarily stressful due to the quality of the sound, remembering complicated passwords and security answers, having to verbally articulate what their issue is and the fear of phone scams. For people with cognitive impairment such as dementia, being passed between departments or advisors on the phone is overwhelming.

It is worth noting that the default position for the payment of benefits is that they must be deposited in a bank account, so easy access to this money in a timely manner is vital.

2. Tackling social isolation and loneliness

For many older people, going to the bank is part of a routine that gets them out of the house, into their town centre to use local shops and spend time with others as they go about their business.

This is an important component in addressing the devastating effects of loneliness and social isolation in our communities and a draft strategy to tackle this is currently being consulted on by the Scottish Government.

3. Mobile bank branch reductions

In April 2018, The Royal Bank of Scotland announced major reductions in their mobile bank branch service for rural Scotland. This service was supposed to mitigate against the effect of a lack of access due to rural branch closures but instead some customers, at the most extreme, will only be able to have access for ten minutes every second Tuesday. It is no wonder banks are seeing a decline in footfall as it is becoming harder and harder to actually step foot in a branch.

Age Scotland believe that mobile branch services play an important role in our banking network. A 2016 report on age-friendly banking² from Age UK and the AARP cited a case study of RBS and NatWest's service as best practice. The report found that older people were positive about mobile branches, providing the service was regular and reliable, solutions were found for internet and mobile signal "blackspots" and vans or locations were designed for all weather. The report also found that focus group participants felt that rather than each bank having their own facilities, there should be a shared service to benefit customers who bank elsewhere, thus giving people in remote areas more choice in who handles their money.

² http://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Policy/money-matters/report_age_friendly_banking.pdf?dtrk=true

4. The challenges of digital banking for older people

The challenge for banks is how they maintain customer-friendly services for those reliant on closing branches who do not want to, or cannot, transfer to internet or mobile banking.

The number of older people in who do not use internet banking is significant. Figures from the Office for National Statistics³ (ONS) highlight that 42% of those aged 55-64 do not use internet banking at all, and that rises significantly to 70% for those aged 65 and over. And more than half (56%) of those over 80 do not use the internet at all.

There are many factors as to why older people are not using internet banking. Many of these were reinforced at a March 2018 “Town Hall” event Age Scotland hosted for older people in central Scotland with the Bank of England’s Chief Economist, Andy Haldane. These included a lack of trust in the technology; fear of internet scams; the display is too small on mobile apps for those with vision impairments; and having to remember complicated passwords.

The cost of digital banking options are inhibitive for many older people who do not already have broadband and a computer. This would be a particular problem for pensioners on a low and fixed income to afford the extra £20 a month for internet access and the cost of the technology.

What is the impact of local ATMs closing or imposing charges for transactions?

Age Scotland are concerned about the future availability of free-to-use Automated Teller Machines (ATMs). According to LINK, the UK’s largest cash machine network, there are 55,000 free-to-use ATMs⁴ in the UK as of the end of 2017. But news in January 2018 that the interchange fee they receive from banks per transaction is to be cut from 25p to 20p from July has led to reports that LINK are considering cutting up to 30,000 ATMs across the country⁵. It would be fair to note the caveats to these reports which say that the move could be to rebalance the distribution of free-to-use ATMs from clusters on busy high streets to areas which are more rural or less affluent.

However, cutting the free network in half will undoubtedly make it harder for people to withdraw their cash without having to accept the extortionate rates of up to £2.99 charged by some pay-to-use ATMs.

At Age Scotland’s “Town Hall” event with the Bank of England, many older people expressed concern about the locations of ATM machines. This relates to the lack of privacy, insecurity in their surroundings, a lack of weatherproofing and shelter, poor screen visibility and the fear of

³ Figure 4 -

<https://www.ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediusage/bulletins/internetaccesshouseholdsandindividuals/2017>

⁴ <https://www.link.co.uk/about/statistics-and-trends/>

⁵ <http://www.bbc.co.uk/news/business-42872438>

“card skimming”. These comments echo those of many older people we speak to from across Scotland.

What are the alternatives to local banks?

Age Scotland believe that more consideration should be given by banks and building societies as to how they maintain and enhance their branch network.

However, the reality is that this trend of branch closures is likely to continue as a result of the societal shift to the internet and smarter mobile banking apps. Moreover, the success of regular advertisements from banks encouraging their customers to download their “app” has clearly resulted in fewer people needing to visit a branch.

There are a number of age-friendly potential banking options which could be adopted following branch closures such as telebanking, enhanced use of the Post Office, shared bank branches and mobile branches.

1. Other banking options

Joint bank branches – with the network of separately branded bank branches decreasing in size, Age Scotland suggests the industry might look again at the concept of shared branches for smaller communities, suburbs and rural areas. These have the potential to provide bank-style service where footfall is too low to support individually branded branches. There may be a role for shared brand mobile branches, providing these have reliable telecommunications, are designed appropriately for all customers (including those with disabilities) and all weathers and are open for a sufficient amount of time at each location.

The concept of a joint or shared branch was welcomed by attendees of the Age Scotland “Town Hall” with the Bank of England. The Chief Economist noted this in his public write up of the event⁶.

“One idea I had not come across previously, which Age Scotland have themselves put forward, is the adoption of a shared service model. This would involve the banking industry co-ordinating to provide, say, at least one branch or service-provider in a given town or region, which offered services to customers of other banks as well as their own. This would reduce the collective commercial overhead of running multiple branches, while still supporting at least one point of access to banking services for geographically remote communities. I am sure this idea would need to overcome some difficult practical hurdles. But it strikes me that this issue is unlikely to go away in Scotland or across the rest of the UK anytime soon.”

– Andy Haldane, Chief Economist, Bank of England

⁶ <https://www.bankofengland.co.uk/events/2018/march/town-hall-airdrie?sf86718823=1>

Telebanking – an in-branch ‘smart’ ATM with live on-screen access to customer service staff situated in a private area so that personal details are not overheard. For people with cognitive impairment such as dementia, this option is not preferable.

Enhanced use of the Post Office – while the Post Office network provides a welcome alternative in many cases, with older people being a significant customer base, some post offices will need to be upgraded in terms of facilities and staff training for this solution to work properly and to provide outreach and remote services.

Mobile branches – Mobile branches can provide a banking lifeline to customers living in rural areas. Customer Service Officers get to know their regular customers and are able to help vulnerable, elderly or mobility restricted customers where they are needed.

Credit Unions – these can play an important role in structured saving plans and access to low cost loans. This can be beneficial to those not needing as much as the borrowing minimum of £7000 banks require in order to get their advertised lowest interest rate. But Credit Unions may not be best set up for day-to-day banking needs.

2. Access to and support for online banking services

The retail banks, led by the British Bankers Association, make much of the speedy development of mobile and online banking, and these services are a positive choice for many people. They have also been a significant driver in reducing the footfall in local branches, which is an important factor in the acceleration of the branch closure programme. However, both are predicated on the ability and willingness of customers to embrace this technology, and the availability of high speed communications connections. Some businesses do recognise that customers want a choice of online and offline options but not all are sufficiently aware of the needs and preferences of a growing number of older consumers.

Older people have shown less appetite for mobile and internet banking and many also have poor access to telephonic or broadband connections. Banks planning local closures need to show that they have considered these issues in their impact assessments. A first principle for Age Scotland is that the needs of older bank customers can be adequately met by accessible systems and services, and that the appropriate support is provided to support customers to adjust to new circumstances with confidence. As a society, we are all being encouraged to take more control over our own lives and affairs, and make intelligent and informed choices between our options, and take it or leave it alternatives are simply not acceptable for core service providers to offer. Neither does it make good business sense given our ageing population.

3. Ensuring age-friendly services

Customer service – make sure that staff are trained to recognise the specific needs of older people, to listen to what customers say to them and to respond appropriately, especially with regard to cognitive decline, scams and financial abuse. Furthermore, staff should be trained to have a good understanding of Power of Attorney.

Good customer service includes listening carefully, speaking clearly, better call handling systems and the ability to be sensitive to customer vulnerability is crucial. For those with conditions such as dementia, it is important that transactions are not rushed and attempts to cross-sell do not occur in order to avoid confusion of the customer.

Physical design – design branches to be easily accessible, arrange suitable alternative physical services in the absence of a branch and ensure all customers know about accessibility options. Good design enables diverse people of all ages to gain access. Consideration should also be given to the inclusion of private areas being made available for phone calls and telebanking services to a bank’s call centre or when the customer feels they need to discuss sensitive matters face-to-face.

Age Scotland

About Age Scotland

Age Scotland is the leading charity supporting older people and promoting their rights and interests. We aim to help Scotland’s people enjoy a better later. We believe that everyone should have the opportunity to make the most of later life, whatever their circumstances, wants and needs.

That’s why we work to make later life the best it can be. We think Scotland can and should inspire, engage, enable and support older people to change their later lives for the better and ensure that there is support for those who are struggling as they live longer to achieve better, happier and healthier lives.

We work in partnership with other charities within the Age Network – Age UK, Age Cymru and Age NI – to pursue these aims across the UK.