

Impact of Bank Closures

Scottish Financial Enterprise

About SFE

Scottish Financial Enterprise (SFE) is the representative body for Scotland's financial services industry. Our member companies range in size from global organisations headquartered in Scotland to small, locally-based support companies drawn from all areas of financial services.

The diversity of our membership reflects Scotland's position as a leading European financial centre; second only to London in the UK.

Our members account for over 80 per cent of individuals employed within the Scottish financial services industry: over 140,000 people employed directly and indirectly.

Our chief priorities are to:

Positively influence government, regulators and other policy-makers in Scotland, Westminster and Brussels to ensure an internationally-competitive business environment for the industry.

Promote greater awareness, understanding and support for Scotland's financial services industry among politicians, the media and the wider community.

Support debate, innovation and the sharing across the industry of experience and insight to encourage continued international growth and collaboration.

SFE is a company limited by guarantee. Our agenda is determined by our member companies and overseen by our board of directors. Each of the main sectors of the financial services industry in Scotland is represented on the SFE board.

The contribution of financial services and banking

The financial services industry makes a significant contribution to the Scottish economy, accounting for an estimated 7% of Scotland's GVA.¹

Banks serve a wide range of customers in Scotland, from individuals to small businesses, charities, public sector bodies and large international businesses.

The contribution of banking to Scotland's economy comes not just from the direct impact of expenditure through wages or the supply chain (which increasingly includes Fintech as well

¹ Scottish Financial Services Strategy, Scottish Financial Enterprise, 2017, p.5

as the traditional professional services) but also through the wider economy. For example, banks currently provide almost £7.5bn of lending to SMEs in Scotland across all sectors.²

The industry is also a major contributor to the UK public finances – with the banking sector alone contributing over £27 billion across a range of taxes in 2016/17, the highest level on record.³

Introduction

As can be seen in the questions posed in the call for evidence, concerns around branch closures tend to focus on one of two areas:

- the impact of a branch closure on customers – eg their ability to undertake transactions, or to receive help and advice from their bank, and
- the wider impact of a branch closure on the immediate local area (for example, what happens to the branch building)

From discussions with our member banks, we know that these concerns are understood and acknowledged. In this submission, we set out how banks operating in Scotland are trying to address the concerns above, as well as outlining some of the underlying factors which are influencing the size and shape of the overall bank branch network in Scotland.

Banks are working hard to ensure that their customers have a range of options available to them, whether that is via telephone, internet, mobile app, use of the local Post Office or via a bank branch. For the majority of customers, but, we acknowledge, not all, these options are more convenient than the traditional branch network as it was.

Many customers have already moved to digital banking options, but we recognise not all are comfortable doing so. The industry is committed to supporting them and also to ensuring that customers, particularly in more vulnerable groups, are not left behind as services across the private and public sectors, including banking, move inexorably into a more digital environment – for example by offering support and training to customers to improve their digital skills, to help them take advantage of internet and mobile banking (and in some cases with other digital tasks, such as setting up email accounts).

² GB SME Lending, UK Finance, April 2018

³ PAYE and Corporate Tax Receipts from the Banking Sector, HM Revenue & Customs, 2017, Table 1

Banking in the changing economy

Branch closures are a very visible sign of the changes underway in the economy, but these changes are not confined to banking – nor are they confined to Scotland. They are in effect a global phenomenon that affect all countries and sectors.

For example:

- the proportion of retail sales taking place online rose to 17.2% in February 2018, an increase of almost 14% year on year.⁴
- between 2010 and 2016 average net UK newspaper circulation fell by over one third,⁵ with four times as many people getting their news online as from newspapers⁶
- having seen a 58% decline in footfall to visitor centres over a decade, VisitScotland announced the closure of more than half of its Visitor Information Centres, with increased digital investment⁷
- HM Revenue & Customs, which had 593 offices in 2005,⁸ now operates out of 170 and has plans to reduce this to 13.⁹
- In Sweden, the proportion of cash retail sales has fallen from 40% in 2010 to 15% in 2016, and the decline in cash usage has been so significant that the central bank has questioned whether “In the not-too-distant future, Sweden may become a society in which cash is no longer generally accepted”¹⁰
- In Germany, more than 8,300 local bank branches closed in the 10 years to 2016.¹¹

Recent years have seen significant disruption in the financial services sector, including in banking. The ability to serve customers remotely (and beyond traditional banking hours) has been present since the introduction of telephone banking in the 1980s, but as in other sectors the impact of digital adoption by customers has been dramatic.

For example, the majority of current account service interactions in 2017 took place via mobile banking apps – which first became available in the UK in 2011.¹²

At the same time, the importance of electronic payments in the economy has continued to grow, and the widespread introduction of contactless card technology has led to increasing card use for small value transactions.

We explore some of these trends more fully in the next section, but the consequence for “high street” banks is that cash and cheque volumes have declined markedly at the same time as technology has ensured that other banking services which previously could only be provided in branch can now be delivered more widely.

⁴ Retail sales, Great Britain: February 2018, ONS, March 2018, Table 2

⁵ News consumption in the UK: 2016, Ofcom, 2017, Figure 4.1

⁶ News consumption in the UK: 2016, Ofcom, 2017, Figure 8.1

⁷ VisitScotland Press Release, The Information Revolution, Oct 12 2017

⁸ Building our Future: transforming how HMRC serves the UK, speech given by Ruth Owen, HMRC’s Director General of Personal Tax, to the annual HMRC stakeholder conference, 17 July 2014

⁹ HMRC announces next step in its ten-year modernisation programme to become a tax authority fit for the future, HMRC Press Release, 12 Nov 2015

¹⁰ The Riksbank’s e-krona project Report 1, Sveriges Riksbank, September 2017, p.4

¹¹ Data from Deutsche Bundesbank, quoted in the FT, 7 January 2018

¹² The way we bank now – An app-etite for banking, BBA, 2017, p.5 (it was not until 2011 that the ability to transact as opposed to merely viewing transactions came to mobile apps, in the UK).

With so many customers, including businesses, moving so much of their activity outwith branches, the reliance on branches within banking has changed, and banks have reviewed the size and shape of their branch network as a result.

Banks are dealing with this fundamental shift in customer behaviour at the same time as absorbing the consequences of regulatory change at global, European and UK level, which has been significant and is ongoing.

For example, in recent years banks have

- undertaken significant reorganisations to prepare for the “ring fencing” rules introduced in the UK following the report of the Independent Commission on Banking;
- implemented the requirements of the Financial Conduct Authority’s Mortgage Market and Retail Distribution Reviews;
- prepared for, and started to meet, the implementation of the EU’s Revised Payment Services Directive and the Competition and Markets Authority’s “open banking” initiative, which both aim to spur competition by enabling customers and SMEs to share their account information securely with third party services;
- introduced new systems to support the mandatory referral of unsuccessful small business lending applications to alternative providers of finance under the Small and Medium Sized Business (Finance Platforms) Regulations 2015
- invested in the ongoing fight against financial crime and money laundering

This list is far from exhaustive but gives a flavour of the range and depth of regulatory and legislative change in the sector.

Some banks also offer non-banking financial services, such as insurance, pensions, share dealing or investment advice. We have not explored these areas within this submission, but the nature of these services too has changed significantly due to the growth of digital, and changing regulation.

Finally, it is worth remembering that the impact of digital disruption offers significant opportunities: indeed Scotland now has some leading fintech organisations which are building businesses of scale on the back of this global trend.

Current Account Switching Service

There is significant competition in the banking market in the UK. Available free of charge to both personal and small business customers, the Current Account Switching Service enhances this competition by making it easier than ever before for customers to move their banking from one bank to another.

In 2017, 932,000 customers used the switching service to change their bank.¹³

Trends in cash

The proportion of payments made by cash in the UK has fallen by more than a third in the last ten years, and UK Finance project that it will fall by half again by 2026.¹⁴

¹³Current Account Switch Service Annual Report 2017, BACS, p.22

¹⁴ UK Cash and Cash Machines 2017 Summary, p.2, UK Finance, 2017.

Cash now represents a minority of consumer payments, is concentrated on lower amounts (more than 60% of all cash payments are below £5) and in particular sectors. Of every £1 of consumer spending, 15p is in cash.¹⁵ Only 4% of business payments are made in cash.¹⁶ Debit card cashback usage has also fallen in recent years, down 15% in 2016.¹⁷

Against this backdrop, cash as a means of payment is declining but remains important. Banks have been conscious of the need to support customers, including SMEs, adapt to the new environment by supporting the provision of non-cash means of payment (for example contactless payment options) but also in ensuring that there are sufficient options for businesses to deposit their remaining cash volumes.

As set out later in the document, a range of options for businesses to deposit cash exist in addition to branches – for example, direct collection by secure courier, deposit at the Post Office or deposit at mobile vans.

Trends in cards

The number of card transactions is increasing rapidly, driven in part by online spending (27% by value)¹⁸ and partly by the use of contactless cards for lower value items which would previously have been paid for in cash.

Contactless payments were first introduced in the UK in 2007 but widespread adoption is more recent. The maximum contactless spend was increased to £30 in 2015, and one in three card payments are now contactless.¹⁹

The volume of contactless payments is growing rapidly - for example in June 2017 there were 470 million contactless card transactions in the UK, compared to 219 million in June 2016, and 81 million in June 2015.²⁰

Usage is expected to continue to grow as adoption of contactless by both retailers and consumers continue to increase - for example, some bus operators in Scotland have started accepting contactless card payments on board.

In addition to contactless cards, increasing numbers of mobile phones support contactless technology, and the £30 transaction limit does not apply, allowing usage for higher value transactions with the added security of the native smartphone security systems, such as fingerprint recognition.

Cheques

The growth in electronic and card transactions has steadily reduced the use of cheques, the volume of which peaked in 1990.²¹ For example, the volume of cheques processed in

¹⁵ UK Cash and Cash Machines 2017 Summary, p.1, UK Finance, 2017

¹⁶ UK Cash and Cash Machines 2017 Summary, p.1, UK Finance, 2017

¹⁷ UK Cash and Cash Machines 2017 Summary, p.3, UK Finance, 2017

¹⁸ Quarterly Market Trends, Q3 2017, UK Finance; Annualised volume growth for debit card payments in Q3 2017 was 13.4%

¹⁹ Contactless 10 year report, UK Finance, September 2017

²⁰ Contactless card statistics June 2017, UK Finance

²¹ Cheques - the story so far, Cheque and Credit Clearing Company Ltd, October 2017

December 2017 was down 15% on December 2016, at around one-quarter of the level ten years previously.²²

Following recent UK legislation²³ changes are being made to the processing of cheques, removing the need for physical exchange of cheques and allowing the clearing of digital images of the cheques. The phasing in of cheque clearing via digital imaging began in 2017 and all cheques will be digitally cleared later in 2018.

This change enables banks to offer services to their customers to allow cheques to be paid in directly via mobile app or scanned via their PC.²⁴

Electronic Payments

There are various electronic payment schemes in operation in the UK.

BACS operate the automated direct debit and direct credit schemes. Direct debit remains a popular bill payment option, with over 4.2 billion direct debit transactions in 2017, an increase of 4% on 2016.²⁵ The number of direct credits (eg salary, pension or benefit payments) was around half that, at 2.1 billion.

The Faster Payments Scheme, which enables real time internet, mobile and telephone banking payments, as well as standing orders, is growing in popularity. 1.7 billion payments were made via Faster Payments in 2017, an increase of 16% year on year.²⁶

²² Cheque Clearing Monthly Volumes and values 1990 – 2017, Cheque and Credit Clearing Company Ltd, 2018

²³ Small Business, Enterprise and Employment Act 2015, s.13

²⁴ About Cheque Imaging: phased roll-out began, Cheque and Credit Clearing Company Ltd, October 2017

²⁵ Summary of key payment statistics for Q4 2017, BACS/CHAPS/C&CCC/Faster Payments, 2018

²⁶ Summary of key payment statistics for Q4 2017, BACS/CHAPS/C&CCC/Faster Payments, 2018

Customer Options

Online, mobile and telephone banking are now the norm and every bank of scale now offer services via these channels. Indeed, some banks only offer services via these channels and have no physical branches of their own at all.

Even within those who do operate a branch network there are various models – for example, in Scotland, there are banks which:

- Operate a branch network across the whole of Scotland,
- Operate a smaller branch network, focussed on the cities and larger towns,
- Operate largely online or via telephone banking, supplemented by a very small number of branch locations

The convenience of these non-branch centric options is such that customers are not only using them when their branch is closed; as a result, all banks report significant reductions in the level of activity across their branch network, and technology now means that many remaining transactions do not in fact need to be undertaken in a branch at all.

Although as outlined above individual banks may have slightly different operating models, it is common for customers to have the following options for their banking activities:

- Telephone banking
- Internet banking
- Mobile app banking
- Webchat
- Transactions via the Post Office
- Branch banking
- ATM access
- Increasingly, Video Banking

Telephone Banking

A typical service will include the ability to:

- Talk to someone about more complex account and personal issues
- Check balances and transactions
- Transfer funds between accounts
- Make or cancel a payment (including bills and standing orders)
- Review direct debit payments
- Apply to open a new account
- Apply for a loan or mortgage
- Apply for a new card/cancel card/request PIN reminder
- Order foreign currency or travellers' cheques

Accessibility:

This service is typically available 24 hours a day, 7 days a week, and via a local rate number. Some services (eg applications from new customers or for loan products) may not be available 24 hours a day, but will typically be available beyond standard branch banking hours. Adaptations for deaf or hard of hearing customers are also the norm for telephone banking.

Internet Banking

A typical service will include the ability to:

- Check balances and transactions
- Download statements
- Transfer funds between accounts
- Make or cancel a payment (including bills and standing orders)
- View direct debit payments
- Use webchat to get support
- Apply to open a new account
- Apply for a loan or mortgage
- Apply for a new card/cancel card/request PIN reminder
- Order foreign currency or travellers' cheques
- Create balance or transaction alerts

Accessibility:

This service is typically available 24 hours a day, 7 days a week.

The proportion of Scottish households with internet access at home has increased steadily over recent years, to a level of 82% in 2016. The equivalent figures for rural areas are slightly higher, at 86% for remote rural locations, and 84% for accessible rural locations.²⁷

97% of Scottish businesses have access to the internet.²⁸

84% of adults in Scotland use the internet, up from 73% in 2010. Although internet use is higher amongst younger age groups, it has increased across all age groups, and has more than doubled in the over 75s.²⁹

Current internet banking services do not require superfast broadband. Broadband at speeds of >10 Mbit/s is currently available in 95% of premises in Scotland. Superfast broadband is currently available in 87% of premises across Scotland, and 56% of premises in rural Scotland.³⁰

²⁷ Figures from Figures 7.1 and 7.5, of the 2017 Scottish Household Survey, Scottish Government, 2017

²⁸ Digital Economy Business Survey 2017, Office of the Chief Economic Adviser, March 2018, p.2

²⁹ Figures from Table 9.8 of the 2009/10 Scottish Household Survey, Scottish Government, 2011 and Table 7.1 of the 2016 Scottish Household Survey, Scottish Government, 2017

³⁰ Connected Nations Report 2017: Scotland, OFCOM, 2017, p.6

Mobile App Banking

Given the ubiquity of smartphones it is easy to forget that the appstores for the two leading modern smartphone platforms – Android and iOS - are only ten years old. The first mobile banking apps in the UK launched in 2011, and they are now the most popular way in which customers access their current accounts.³¹ The functionality of these apps has steadily improved over time.

A typical mobile app will allow a customer to:

- Check balances and transactions
- Transfer funds between accounts
- Make or cancel a payment (including bills and standing orders)
- Review direct debit transactions
- Apply to open a new account
- Apply for a personal loan
- Apply for a new card/cancel card/request PIN reminder
- Create balance or transaction alerts
- Notify the bank that they will be using their card abroad
- Find a nearby branch or ATM

All banks report rapid increases in the adoption of mobile banking, and it is a core part of the competitive proposition for most modern banks.

Accessibility:

This service is typically available 24 hours a day, 7 days a week.

85% of adults in the UK have a smartphone, a figure projected to increase still further.³²

72% of internet users use mobile devices to access the internet, and they are the main mode of access for those aged under 44.³³

93% of outdoor premises in Scotland have data coverage from all 4 main mobile network operators.³⁴ Around 1% of outdoor premises have no mobile data coverage from any network, along with 33% of the landmass.³⁵

³¹ The way we bank now – An app-etite for banking, BBA, 2017, p.5

³² State of the smart: Global Mobile Consumer Survey 2017: UK Cut, Deloitte, p.12

³³ Scottish Household Survey, Scottish Government, 2017, Table 7.3

³⁴ Connected Nations Report 2017: Scotland, OFCOM, 2017, figure 17

³⁵ Connected Nations Report 2017: Scotland, OFCOM, 2017, p.20

Banking at the Post Office

Although the concept of banking at the Post Office is not new (eg National Girobank) services have evolved over the years. Over time individual banks made arrangements with the Post Office to allow their customers to undertake certain transactions at the Post Office. A consistent framework to cover almost all UK banks was introduced in early 2017.³⁶

An action plan to raise awareness of banking services available at Post Office branches amongst local communities with lower bank branch coverage was launched last month.³⁷

Services available at the Post Office include:

- Balance enquiry
- Cash withdrawals
- Cash or cheque deposits

Accessibility:

The Post Office network is more extensive than any bank branch network. On the most recent figures, there are 1,403 Post Offices in Scotland.³⁸ 929 of these are in rural areas.³⁹ 99.7% of the population live within 3 miles of a Post Office, and in every postcode district at least 95% of the population are within 6 miles of a Post Office.⁴⁰

While individual opening times vary from Post Office to Post Office, it is common for opening hours to be longer than is traditional for bank branches.

As part of the action plan mentioned above, there is a commitment to “Provide enhanced support for vulnerable consumers to be developed based on Citizens’ Advice best practice guidelines.”⁴¹

³⁶ Post Office and UK Banks’ partnership secure access to local banking services, Post Office Press Release, 24 Jan 2017

³⁷ See Appendix Two

³⁸ Network Report 2017, Post Office Ltd, 2017, p.5

³⁹ Network Report 2017, Post Office Ltd, 2017, p.6

⁴⁰ Network Report 2017, Post Office Ltd, 2017, p.9

⁴¹ See Appendix Two

Branch Banking

While in the past it was necessary for a customer to physically go into a branch to undertake many transactions, as has already been shown that is no longer the case for many transactions. Some banks use branches for discussions with customers on significant life events (for example, taking out a mortgage) although others allow applications to be processed without customers ever having to go into a branch.

Accessibility:

Given the variety in the nature and number of branches operated by individual banks, the proximity of a customer's nearest own brand branch will vary from bank to bank.

Although some branches operate 6 days a week, some operate fewer than 5 days a week, or have shorter opening hours.

The Access to Banking Protocol was introduced in 2015 to provide consistency of approach on the handling of branch closures. The operation of the Protocol was reviewed in 2016 by Professor Russel Griggs OBE and as a result of his recommendations a revised Access to Banking Standard was introduced in 2017.⁴²

Under the Access to Banking Standard, banks consider whether individuals may be vulnerable or require additional assistance as a result of a closure decision, and proactively contact them to find out if they require any further help or assistance.⁴³

The operation of the Access to Banking Standard is reviewed by the independent Lending Standards Board.

A copy of the Access to Banking Standard is included at Appendix One.

Mobile Branches

Mobile van branches have operated in Scotland since the 1940s and now serve hundreds of rural and urban locations across the country. In some cases these are locations where branches have closed, but in many locations served by mobile van branches there has never been a fixed branch presence. Customers can use vans to make deposits, withdraw cash and pay bills, or to discuss other bank services.

Other Financial Service Providers

Other sources of financial advice on key life stage events continue to be well served by the IFA community, legal profession, mortgage brokers and accountancy firms, which collectively provide the provision of high quality financial advice in many of Scotland's communities.

⁴² High street banks announce new Access to Banking Standard, UK Finance Press Release, July 2017

⁴³ See p.21

ATM Access

The majority of ATMs in the UK, including all those operated by SFE member banks, are free to use.⁴⁴ Statistics from LINK show that the number of ATM cash withdrawal transactions has been falling since 2012, and now stands at the lowest level since 2004. This is despite an increase in the number of free to use ATMs in each year since 1998.⁴⁵

Accessibility:

It is estimated that 75% of the UK adult population live within 1 mile of a free to use ATM.⁴⁶

The LINK Board has recently announced changes to the operation of its ATM network (including the associated interchange fees).⁴⁷ These changes are separate to the issue of branch closures and the Payment Systems Regulator has said that “We will intervene if we believe the current broad geographical spread of free-to-use ATMs is threatened”.⁴⁸

⁴⁴ LINK ATM Numbers, LINK Statistics & Trends, <https://www.link.co.uk/about/statistics-and-trends/>, Accessed 23rd March 2018

⁴⁵ Total Cash Withdrawal Volumes and LINK ATM Numbers, LINK Statistics & Trends, <https://www.link.co.uk/about/statistics-and-trends/>, Accessed 23rd March 2018

⁴⁶ Payment Systems Regulator, <https://www.psr.org.uk/psr-focus/the-UK-ATM-network>, Accessed 29 March 2018.

⁴⁷ THE LINK BOARD ANNOUNCES CHANGES TO OPERATION OF ITS ATM NETWORK, Link Scheme Holdings Ltd, Press Release, 31 January 2018

⁴⁸ Payment Systems Regulator, <https://www.psr.org.uk/psr-focus/the-UK-ATM-network>, Accessed 29 March 2018

Services to Businesses

In general, businesses have access to the same channels as personal customers do, but there are some slight differences (for example access to business specialists via telephone banking).

Cash

In addition to the ability for small businesses to use the Post Office without prior notice, larger businesses which have significant cash requirements can make arrangements with a specific Post Office to accommodate their needs.

In addition, many banks provide access to courier services where cash can be securely collected or deposited at business premises by secure courier. In recent years the development of these services has brought commercial cash collection services within the reach of businesses with smaller levels of cash to deposit than had previously been the case, allowing SMEs to manage the process of depositing cash to their account without ever leaving their premises.

Many larger retailers already have their own arrangements direct with these couriers.

Internet Banking

There are internet banking facilities available for most of the major banks which handle the additional complexity of services which larger businesses in particular may require – for example, international payments.

Relationship Managers

Although criteria differ from bank to bank, named relationship managers are usually available to business customers in addition to the telephone and internet services. These staff are usually business specialists (sometimes in particular industry sectors) and may travel to see customers at their own premises to discuss issues. Just as individuals no longer need go into a branch to arrange lending, for business customers proximity to a branch is no longer an impediment to borrowing.

Summary

The way in which customers wish to interact with their banks has fundamentally changed. Ease of access 24/7 has become the retail norm and the banks must adapt to remain relevant and compete with global new entrants. As stated earlier, all our members are acutely aware of the impact arising from branch closures and are trying to address these concerns by offering a wide range of channels to support customers.

Question by Question response**Economy, Jobs and Fair Work Committee****Bank closures: impact on local businesses, consumers and the Scottish economy****Call for views****Background**

According to official figures, the number of bank branches across Scotland reduced by a third between 2010 and 2017. The Economy, Jobs and Fair Work Committee is launching a short inquiry with the following remit:

To examine the impact of bank branch closures in Scotland on local businesses, consumers and the Scottish economy and to explore what steps can be taken to address any issues identified by the Committee.

The Committee wants to hear the views and experiences of as many people, businesses and organisations as possible, so it is now seeking written views on the following themes.

Impact of bank closures on local businesses and the local economy

- 1. Has your business been affected by closures of local banks or will such closures impact on your business in the future?*
- 2. If so, in what way? What could be done to mitigate any negative impact?*

Each business is different in their use of bank services – for example, a non-retail business which does the bulk of its transactions electronically may not be materially affected by a particular branch closing, but a more cash intensive business would have to consider alternatives.

In some cases, those alternatives may involve reducing the use of cash in the first place – for example, a retail business offering contactless card payment for the first time may find their cash volumes decline.

Some businesses may find the ability to use the Post Office the best option (this may be more convenient for some in terms of location and opening times), others will seek to move their activity to another branch, or to use a secure courier service, and some may take advantage of the Current Account Switching Service and move to a competitor bank.

3. *Have you received business advice and support from your local bank? What is or will be the impact of local bank closures on the provision of such advice and support?*
4. *Are there any ways in which such advice and support could be accessed through different channels?*

As set out in the Access to Banking Standard, banks closing a branch will support customers and in particular will ensure that customers are aware of alternative ways of banking. Although in some cases business specialists are based in particular branches, the provision of business banking advice and support – whether that is in terms of day to day transactional banking, or lending to business – is not a service which is branch dependent.

5. *Have closures of local banks had, or will future closures have, an impact on the wider local economy? What steps could be taken to mitigate any negative impact on the wider local economy?*
6. *Is there (or is there likely to be) reduced footfall in towns or areas where local banks have closed or are due to close?*
7. *How have or would local bank closures impact on tourism in your area?*

Care needs to be taken in assuming a causal relationship between branch closures and an impact on the health of a local economy - for example:

- the move to online shopping is significant and is unrelated to the provision of local bank branches;
- all major banks report reduced transaction volumes in branch, including in branches which remain open;
- if there is a link between transactions in the local economy and branch activity (for example through incidental business in local shops as businesses deposit their cash) there is no reason for this not to be the case if they deposit cash at a local Post Office instead of a branch
- the provision of SME lending is not dependent on local branch presence as this service is now largely provided by specialists operating either peripatetically or via non-branch centres

As mentioned earlier, the tourism industry is itself changing as a result of the move to digital technology. There is no obvious link between the ability of tourists to spend in a local area and the presence of a bank branch. More relevant perhaps is the ability of tourist businesses to take card payments, and many banks either provide card terminals themselves or partner with providers to enable businesses to receive payment by credit or debit card, or non card based contactless payment options (for example, Apple Pay or Google Pay).

8. What should happen to the bank premises when they are vacated by local banks? How does this impact on the local High Street?

Where a branch closes and the bank owns the property, it is normal for them (as it would be for any owner) to review options in the light of the commercial property market in the location in question. What will constitute a fair commercial price for the property will vary according to local market conditions. Typically banks closing a branch will no longer wish to retain the building and will seek to sell at an appropriate market price. In some locations where this has not proved possible banks have been open to other options, such as community use.

It is worth noting that some bank branches are leased, and upon closure it will be for landlords to determine whether to sell the property or to lease to another organisation. Regardless of the ownership position, local planning considerations will have to be taken into account.

Impact on consumers and other organisations and on the community

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

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

11. Will closures of local banks impact on the local community, or has your local community already been affected by such closures?

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

As already outlined, banks will support their customers understand alternative banking options where a branch is closing – this will apply to local organisations which are customers of the closing branch. Banks may also provide local membership organisations with information on the alternatives for them to share with their members but this is in addition to the interaction banks have with their customers, not a substitute for it.

In relation to consumers, the range of payment methods accepted by retailers appears more relevant than whether or not a particular bank branch has closed. Many retailers use secure courier services to handle cash as opposed to using bank branches.

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

The provision of free to use ATMs by SFE members, including the regulatory oversight by the Payment Systems Regulator, has been covered earlier in this document.

Other providers do operate ATMs which charge customers directly for use. The number of pay to use ATMs has been in decline (for example, in 2017 there were 14,600 pay to use ATMs in the UK compared to 27,100 in 2007) – however due to significant growth in the number of free to use ATMs over the same time period, the overall level of ATM provision has increased, from 64,000 in 2007 to 69,600 in 2017.⁴⁹

Alternatives to local banks

14. What are the alternatives to local banks?

15. Are Credit Unions, Post Offices or internet banking suitable substitutes for local banks?

16. What are the barriers to success for any alternative to local banks?

17. What steps could be taken to address these barriers?

We have already outlined many of the alternative means by which customers, whether individuals or businesses, can undertake their banking activity in the event of the closure of their local branch. The most appropriate alternative will depend on the preferences of the customer in question, the nature of their particular transactions, and their location (for example mobile branches tend to operate in more rural areas, but Post Office provision covers the whole country).

For significant life stage events such as retirement or buying a house, local IFAs, mortgage brokers, lawyers and accountants are also valuable sources of advice and guidance.

Scottish Financial Enterprise

⁴⁹ LINK ATM Numbers, LINK Statistics & Trends

Appendix One: The Access to Banking Standard

Introduction

Banks are committed to providing access to banking across all the channels they deal with customers through.

Banks can and will realign those channels in line with customer demand from time to time. This is a commercial decision for the bank alone.

In making those decisions banks will ensure that their customers are communicated with openly and treated fairly, fulfilling regulatory requirements, and operating in line with the overarching principle and outcomes set out below. Banks will consider a range of approaches to their commitments under the standard.

The Standard focuses on the desired outcome for customers and stakeholders. To achieve these outcomes, banks may communicate and engage with their customers and other stakeholders in what they consider to be the most appropriate manner.

While there will be differences in approaches between banks, and in circumstances for closure, the Standard also clearly indicates areas that each bank must ordinarily address to achieve the desired outcomes.

The Standard will apply to all branch closures (other than temporary closures, and those forced by significant unplanned external or emergency events), and branches where the opening hours are reduced by more than 30% over 1 year, and also applies to branch agencies and firms should ensure they are contractually bound to comply with them.

Overarching Principle

Customers and relevant stakeholders of a bank branch that is closing will be provided with clear, understandable, accessible documentation and information about that specific closure as soon as the bank is able to do so, also what it will mean for them and how they can continue to bank following its closure.

Outcomes

Banks will communicate their decisions in at least two parts to customers (personal and business) as set out below.

a) Initial Announcement of Closure

Banks will

- Inform its customers and stakeholders of the decision to close a branch as soon as the bank is operationally ready to do so. This will be at a minimum 12 weeks before the closure.
- publish at the time of the announcement an Impact Assessment and make all customers aware of its availability together with any other documentation and information that will allow the customer to understand
- the bank's procedure for deciding to close a branch.
- the main reason for the closure of that branch and, while maintaining commercial confidentiality where appropriate, what information was used to make that decision
- how the bank defines the terms it uses in its Impact Assessment.
- The banks assessment of the impact of the closure on customers.
- the date of the closure
- what the alternatives are, how they can be accessed, and what the bank will do to help or assist with all or each of those.
- The banks will identify which other bodies, and organisations, that may be affected by the closure of the branch and provide them with documentation and information that will allow them to understand
- the clear reason for the closure of that branch and what information was used to make that decision

- how the bank defines the terms it uses in its decision-making process
- the date of the closure
- how they can contact the bank to discuss the issues they have and meet with them if that is the most appropriate way to do so.

b) Post Announcement and Pre-Closure

Banks will provide further information that will

- Communicate clearly and simply with all customers and stakeholders when appropriate so they understand
- where and from whom they can obtain assistance on any specific issues or concerns they may have.
- what were the issues that stakeholders raised and what has been the outcome of each?
- how and where they can raise questions which they feel have not been addressed.
- how the banks can provide help and assistance after closure
- consider which individual may be vulnerable or require additional assistance and proactively contact them to find out if they require any further help or assistance.

Banks will take action and support customers to

- be aware of and understand each of the alternatives offered by the bank and others who offer a service to the bank
- understand what those alternatives provide in terms of service and functionality
- know how and where they can obtain further information, help and assistance in deciding how they might use or access them.
- know how and where they can discuss concerns and issues they have with the closure and what it means for them.
- know that the personnel they are speaking to at the bank have the skills and competencies to deal effectively with the issues and concerns they raise.

Banks will ensure that Stakeholders where appropriate

- understand clearly what it is that the bank will do to provide any mitigation in relation to the closure and how that could be put in place
- clearly understand what they need to do and with whom to discuss and implement any form of mitigation offered.
- know that the personnel they are speaking to at the bank have the authority and competencies to deal with the mitigation issues that they wish to address.

c) Post Closure

Banks will

- ensure that there remains help and assistance and skilled and competent personnel available to help customers who continue to require assistance

Banks will ensure that customers

- are aware that the bank is willing to help them to continue to bank
- are aware of and understand how and where they obtain continuance of the help and assistance they received post closure should they still require it, and how they access help or assistance on any issues or concerns that arise post closure.

Banks will ensure that Stakeholders where appropriate

- are aware that the bank is willing to continue to engage with them

- are aware of how and who they continue to progress any mitigation issues that are still to be resolved, and how and who they should contact should any other issues or concerns arise post closure

Appendix Two: UK Finance Press Release – Post Office Action Plan

A comprehensive Action Plan is launched today by the finance industry and the Post Office to raise awareness of banking services available at Post Office branches amongst local communities with lower bank branch coverage.

The five-point plan will promote awareness of the day-to-day banking services, including paying in and withdrawing cash, that bank and building society customers can access at 11,500 Post Office branches across the UK. It will deliver a series of co-ordinated activities including targeted media campaigns, local community events and enhanced support for vulnerable customers.

The plan has been developed by the finance industry and the Post Office working with HM Treasury, following a request from the Economic Secretary to raise awareness of the banking services available at Post Offices.

Many bank customers are already visiting Post Office branches to access their business and personal accounts, with usage increasing; however there is still limited awareness in local communities of the availability of these vital services.

Customers who will benefit most from the availability of the service, particularly those living in rural or urban areas with less bank branch coverage, are the primary focus of the plan, which will:

1. Raise awareness of banking services available at the Post Office via regional and targeted localised pilot media campaigns¹. These will be timed to coincide with Post Office in-branch campaigns across the Post Office network.
2. Support specific communities, including those impacted by bank branch closures, through information leaflets, joint Post Office and bank outreach to communities and improved collaboration between Post Office and banks during any bank branch closures.
3. Promote the Post Office as an integral channel for day-to-day banking, with clear and prominent information for customers in banks' literature, on websites and telephony channels.
4. Provide enhanced support for vulnerable consumers to be developed based on Citizens' Advice best practice guidelines.
5. Carry out ongoing monitoring of awareness and confidence in the Post Office counter service.

John Glen, Economic Secretary to the Treasury said: "Britain is changing the way it banks, but as more and more people move online, it's crucial that face-to-face everyday banking services are available. So I am pleased that the banking industry and Post Office are taking action to raise awareness of this valuable service.

"The Post Office can provide most daily cash banking needs, and it's vital as many people as possible know about this important assistance."

Stephen Jones, Chief Executive of UK Finance, said: "Helping people access banking is vitally important. Customers can access day-to-day banking services at thousands of Post Office branches. Our five-point plan announced today will increase awareness of this service, particularly in areas with less bank branch coverage."

Paula Vennells, Group Chief Executive of Post Office Limited, said: "The Post Office is committed to ensuring that all our customers have easy access to cash and we are delighted to be working with UK Finance to raise awareness of the vital everyday banking services available at our 11,500 branches. Almost 93 per cent of people live within a mile of their local post office, and 99.7 per cent live within three miles, and this important initiative will help even more people, wherever they live in the UK, access their bank accounts at our branches."

Andrew Griffiths, Business Minister, said: “With Government support, the Post Office is continuing to modernise and bring more benefits to millions of customers and small businesses across the UK. The Government has invested £2 billion in the Post Office since 2010 and this latest joint initiative promotes the range of important services available at thousands of local Post Offices up and down the country.”

The actions set out in the plan will begin from third quarter 2018.

Notes to Editor

1. Two pilot media campaigns will be run in the third quarter 2018. One will be a regional campaign in the North West of England and the other is a targeted localised campaign in East Ayrshire, Dumfries and Galloway.
1. The five-point plan will be rolled out across all subscribers to the Banking Framework, including both personal and non-personal customers.
1. UK Finance is the trade association formed on 1 July 2017 to represent the finance and banking industry operating in the UK. It represents around 300 firms in the UK providing credit, banking, markets and payment-related services. The organisation brings together most of the activities previously carried out by the Asset Based Finance Association, the British Bankers' Association, the Council of Mortgage Lenders, Financial Fraud Action UK, Payments UK and the UK Cards Association.