

Impact of Bank Closures

Highlands and Islands Enterprise

Introduction

Highlands and Islands Enterprise (HIE) welcomes the opportunity to respond to this call for evidence. With a unique remit for community development, HIE recognises the particular vulnerabilities of sparsely populated and geographically remote communities, experiencing both transient and permanent disadvantage. The erosion of local services, including banking services, can have a disproportionate effect on communities already struggling with declining population, under-representation of young people within the demographic profile, lack of economic opportunity, below average income levels, problems with transport infrastructure, and other issues associated with geographic peripherality.

In February 2018 HIE commissioned research to better understand the implications of withdrawal of bank services on such communities, and to explore opportunities for, and viability of alternative service provision. The research is being undertaken by the Indigo House Group and is due to report in May 2018.

Who are we?

Highlands and Islands Enterprise (HIE) is the Scottish Government's economic and community development agency for the north and west of the country. Our region comprises over half the Scottish land mass (including 94 inhabited islands) and is home to around 470,000 people.

HIE's role is to lead regional growth and development in line with Scotland's Economic Strategy (SES), improving competitiveness and building a fairer society across the Highlands and Islands.

HIE's approach to regional development is drawn from the national priorities described in SES: Investment, Innovation, Internationalisation and Inclusive Growth. We help build successful businesses, social enterprises and resilient communities; support the growth of industry sectors, and invest in the strategic interventions which create the conditions for a competitive region. Our current priorities, planned activities and budget information can be found in our Operating Plan.

Sustainable and inclusive economic growth sits at the heart of Scotland's Economic Strategy, which outlines the Government's ambitions to create a cohesive and resilient economy, with opportunities for all to flourish.

HIE has adopted a place-based approach in the delivery of its strengthening communities remit. This provides opportunity for a more focused and holistic approach in supporting communities to grow and develop. Equitable access to services is a key aspect of this.

HIE Research on Access to Bank Services in Rural Communities

HIE's study is considering access to banking services, and the potential impact that any changes in banking provision may have on communities in the Highlands and Islands. It seeks to learn from other areas that have already experienced bank closures in Scotland and wider in the UK, to understand what the impact of these closures have been, and to identify alternatives for local banking services.

The work has involved a mixed method research of data analysis, stakeholder consultation and a survey to gather feedback from a broad range of individual households, businesses and community groups in areas expected to be, or already affected by local branch closures. The study is looking at:

- what bank services are currently being used, and how (including how this has changed over the last five years);
- current use of and attitudes to mobile bank services;
- current use of and attitudes to post office services for banking;
- information and support provided to customers of banks facing closure;
- lessons learned from communities who have already experienced withdrawal of bank services, or which do not have access to bank services at all.

The research is ongoing, with the deadline for participating in the survey element having been extended to 27th April 2018. Some emerging findings are outlined below:

Impact on communities

- Many of the communities being explored in the study are characterised by declining and ageing populations, and a strong dependence on tourism as a key source of employment. Long drive-times (and sometimes sea-crossings) to mid-sized population centres with key services are commonplace.
- Although most of these communities have access to alternative banking services via the Post Office, and ATM's within a three or five-mile radius, wider banking facilities are generally limited, particularly for customers not able to travel far. For some of these communities the bank due to close is the last bank in the locality.
- Within affected communities there is strong feeling that banking should be viewed as a basic part of the local infrastructure and thus should be available as standard provision.
- The added value of local service provision was highlighted. This included informal support for older/vulnerable customers, advice tailored to individuals/businesses, and ability to change signatories quickly and easily for local clubs/groups. Concern was raised around Power of Attorney, with the suggestion that physical impairment might push some people with capacity to go for PoA when they otherwise wouldn't need to.

- There is a sense of a disconnect between the public policy desire to expand the tourism season and the overall amount of income it generates within local economies, and the withdrawal of core services that actually allows that to happen.
- Electronic payments (particularly card-readers) are felt to represent an added cost, which many tourism businesses, being seasonal in nature, see as an unnecessary expense.
- In some communities, the withdrawal of bank services, along with the gradual erosion of other services is affecting community confidence and exacerbating concerns around fragility. It is also seen as counter-intuitive to policies aimed at creating sustainable communities, population attraction and inclusive growth.

Online Banking

- There is an age-split evident in relation to move to online banking services. This relates partly to digital skills and confidence, but also to cyber security concerns.
- Online services and telephone links are sometimes perceived as inflexible.
- Broadband connectivity is not yet emerging as a concern.

Alternatives to service provision

- Culturally, customers in the Highlands and Islands tend to be loyal, long-term customers. In terms of switching bank accounts, the question of limited alternative provision is raised.
- ATM coverage, overall, is considered good, but customers are concerned about continuity of service (should local bank branches close), and reliability of service (where ATMs break down or run out of cash).
- Stakeholders do not see mobile bank provision as an effective replacement for local branches. Issues are cited around privacy, security, reliability and trust. Concerns have also been expressed around access, especially for those with physical impairments/disabilities.
- While the Post Office is positive about the extent and robustness of its network, and are clear about its service offer, they do acknowledge it isn't equitable for all business bank customers (e.g. Bank of Scotland).
- Awareness of the post office for banking services does not appear to be high.
- Good relationships with post office staff are reported but there is a sense that people still don't see post offices as places to bank. Concerns have been expressed about unsuitable premises, queues and privacy.

HIE looks forward to discussing the findings of this research with the committee. Further information can be found at <http://www.hie.co.uk/access-to-banking-services-research>

