HOUSE OF COMMONS LIBRARY

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Bank branch closures

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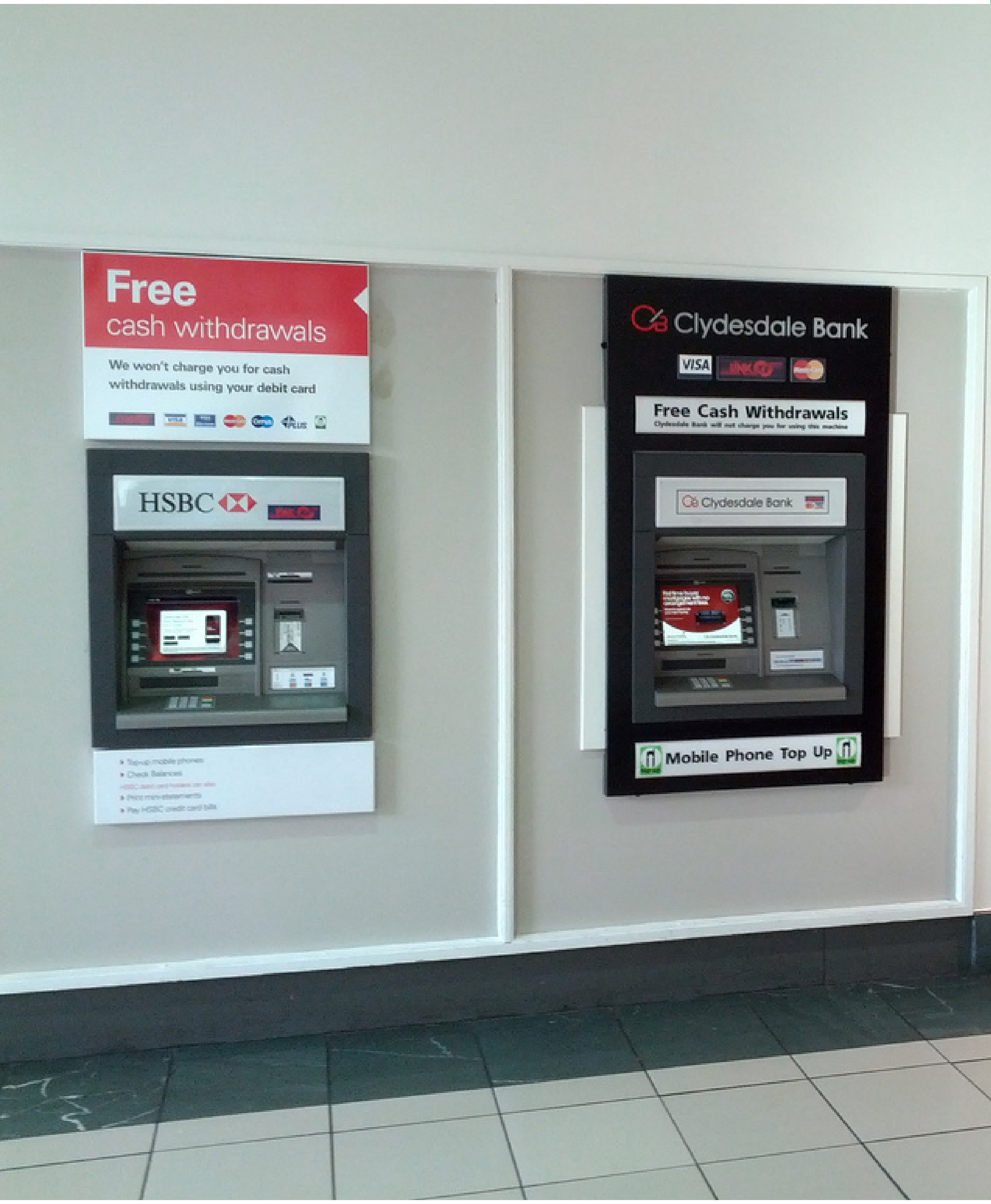

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Summary

The public and government have worried over the seemingly remorseless decline in the number of bank branches in high streets and rural areas for at least 30 years. The forces driving closure programmes are varied, but financial innovation and trends in society towards falls in demand for the use of cheques as a payment means and increased use of electronic payment services have all played their part.

The impact of the financial crisis and the new regulatory costs bearing down on profits have made banks look again at the viability of their branch networks.

It is feared that the impact of closures will be felt most in rural areas and places where no viable alternative exists. Not all banks are closing branches, and some of the newer 'challenger' banks are committed to the branch structure.

Responding to political concern, the banking industry agreed a new protocol in March 2015 to be followed when branch closure programmes are planned. An independent review into the workings of the protocol was announced in May 2016. In July 2017 the Protocol was enhanced by an Access Standard which included new requirements regarding better communication with people affected by a closure.

There was a Backbench Business debate on branch closures in June 2016 and in February 2018.

1. Introduction

The services of the high street banks have traditionally been delivered through their branch networks. These networks have, however, been contracting for many years. There are several explanations for this decline including the desire by banks to cut costs; mergers within the industry; competitive pressures from new entrants in the banking sector; changes in the nature of retail banking transactions; and a growth in alternative means of accessing bank services. The pace of innovation amongst Fintech[1] firms suggests that this trend is unlikely to change any time soon.

The traditional role of banks within the community, and the effects of branch closures on customers, banking staff and the community itself, mean that closures, especially in rural areas, are often controversial.

Alongside this, government has sought to address the broad problem of social exclusion. Part of this work targets financial exclusion and encourages wider access to financial services for individuals and communities who may be suffering detriment from not having access to such facilities as a bank account or some types of insurance. One of the issues in financial exclusion is the 'unbanked' – those who do not use mainstream banking facilities, for whatever reason.

Whilst branch closures arguably raise issues about the way in which individuals access their existing bank accounts rather than the problem of not having a bank account at all, there is concern that the removal of local banking facilities may in the future lead to increased financial exclusion. The banks themselves are amongst those involved both in researching the nature of the problem of financial exclusion and in coming forward with solutions.

1 Fintech is the term commonly used to describe technology companies operating in the financial services world

2. Background

Data

The bank branch network has been declining steadily for nearly 30 years. There were 20,583 branches in 1988 but only 8,837 in 2012.[2]

Official figures collated by the industry ceased to be published in 2014. The latest table to that point is shown below:

UK Bank, Building Society and Post Office Branch Numbers
As at December

		1997	2000	2005	2010	2013	2014	2015	2016	2017
Barclays	1	2,541	2,261	2,029	1,658	1,560	1,488			
HBOS	2	1,361	1,166	1,064	964	956	958			
HSBC		1,668	1,668	1,513	1,311	1,172	1,079			
Lloyd's Banking Group						1,297	1,290			
Lloyds TSB	3	2,865	2,410	1,930	1,949					
NatWest		1,754	1,643	1,631	1,549	1,398	1,286			
Santander UK	4	1,051	977	712	1,175	998	921			
Big Six' total		**11,240**	**10,125**	**8,879**	**8,606**	**7,381**	**7,022**			
Other banks total		2,109	1,936	1,704	1,395	1,502	1,349			
Challenger banks total	5				83	819	845			
Total Banks (BBA figures)		**13,349**	**12,061**	**10,583**	**10,084**	**9,702**	**9,216**			
Total Banks (business Count data)					**14,855**	**11,335**	**10,960**	**10,745**	**10,340**	**9,690**
Building societies		2,537	2,361	2,148	1,672	1,548	1,563	1,551	1,519	na
Post Offices		19,020	18,393	14,609	11,905	11,077	11,696	11,634	11,643	11,659

Notes
1 includes Woolwich and Bristol and West
2. Includes Bank of Scotland, Halifax & Birmingham Midshires
3. Includes Lloyds TSB, bank of Scotland & Cheltenham & Gloucester
4. From 2009 figures include Bradford & bingley and from 2010 Alliance & Leicester
5. Includes Metro, Handelsbanken and TSB from 2013
Sources: British Bankers Association; Building Societies Yearbook 2017/18; NOMIS Database; PostComm

Since then there have been no central source for data. Instead a variety of bodies have focussed on trying to capture the number of branch closures announced by the banks following their branch impact assessment reports. Since the banks report figures in different ways and there is little or no record of when, or if, closures do actually take place, or if all closures are captured, and there is no record of new branches opening, there is some uncertainty over true figures. However, even allowing for some data inaccuracy, it is clear that branch closures since 2014 are happening at as fast a rate as ever. According to a list prepared by Which? and cross checked against Library calculations, the main banks[3] and the Nationwide Building Society together closed over 1,000 branches in 2015 and 2017 and about 1,500 in 2016 and 2018 combined. Other banks and building societies had their own closure programmes.

2 Source: British Bankers Association; *Annual Abstract of Statistics 2013*; table 5.02
3 Barclays, Lloyds, RBS, Bank of Scotland, Santander, HSBC, Halifax, NatWest, CO-OP, Ulster Bank and Clydesdale Bank

A table showing long term closure trends has been produced by Retail Banker International:

Bank branch closures by institution 2007-2017

	Number of branches		
Bank	2007	2017	% Change
Co-operative Bank	355	95	-73%
HSBC	1,501	625	-58%
Clydesdale/Yorkshire	330	170	-49%
Santander	1,286	841	-35%
RBS (inc. NatWest)	2,278	1,518	-33%
Lloyds Banking Group (Halifax, HBOS, BOS)	3,042	2,038	-33%
Barclays	1,810	1,309	-28%
Nationwide	763	611	-20%
Total	11,365	7,207	-37%

Source: Retail Banker International

No area of the country has escaped closure, though public disquiet is greatest in areas where there are fewest alternatives such as remote rural areas.

In the 2014 the banking industry group BBA Abstract quotes the following updated figures to illustrate the breadth of facilities available:

> Personal and business banking can be carried out in 9,700 high street branches, 1,600 building society branches or 11,500 post offices. In addition a national network of 68,000 ATMs gives customers constant access to their cash.

That there is sufficient coverage by other means is disputed though. The (now ceased) *Campaign for Community Banking Services* claims that at the end of 2015 there were

> 8,340 retail bank branches in the UK, including around 40 of new bank, Metro but excluding 200 'branches' of Handelsbanken UK, because its customers have to use other banks' counters.[4]

The same group also produced an estimate of the scale of 'unbanked communities'.

Communities

	Number
Lost all banks	1,500
With only 1 bank	840
With only 2 banks	360
With 3 or more banks	1,100

Source: Campaign for community banking services

The conclusion of some researchers is that closures are particularly targeted on poorer areas where the economic value of transactions is low, and partly set off by the opening of revamped branches in popular locations to attract and keep young, comfortably-off employees:

[4] Campaign for Community Banking Services website (note, this organisation has ceased to operate)

> University of Nottingham researchers noted that between 1995-2012 the areas that suffered the largest decline in branch numbers 'are characterised by unemployment rates and levels of renting from the public sector that are far above the national average… the least affluent third of the population has borne the brunt of two thirds of net closures'.[5]

A comparison website – Choose – looked at geographic data on branch closures it concluded:

> The thing that immediately jumps off the page here is that most closures appear to be concentrated in Wales, the South West, the North East, the North of Scotland, and also certain pockets in and around London.
>
> Put differently, they appear to be concentrated in poorer areas less profitable to the major banks, betraying a logic that sadly will be useful in predicting where future closures may arise.
>
> The use of such a logic has been confirmed by the Reuters news agency. In a 2016 analysis of Office for National Statistics figures, they found that "More than 90 percent" of 600 closures between April 2015 and April 2016 "were in areas where the median household income is below the British average of 27,600 pounds".
>
> Added to this, their study also concluded, "By comparison, five out of the eight branches opened by [the Big Four banks] over the same period were in some of the wealthiest neighbourhoods in Britain -- Chelsea, Canary Wharf, St Paul's, Marylebone and Clapham, all in the capital, London".

There was a Backbench Business debate on branch closures in June 2016.

Financial crisis

The financial crisis of 2008 increased pressure on branch networks once more. First, the significant mergers that took place as a result – for example, Lloyds acquiring the Halifax, and Northern Rock by Virgin Money – meant that there was duplication of branches, which now face an uncertain future.

Secondly, the crash and the resultant disruption to profits as well as the long-term downward pressure on profits (from higher capital charges and the end of profitable business lines like PPI) have forced banks to look for ways to cut costs.

Technology

Technology is a big driver of change, with the growth of online and mobile banking being gratefully adopted by millions of bank customers. Other factors present themselves as reasons why people use banks less. In 1988 25 per cent of adults were paid in cash - an almost incomprehensible figure now.[6] Cheque usage – one of the main

5 Quoted in Move your Money; *Abandoned Communities: the crisis of UK bank branch closures and their impact on local communities*, July 2016

6 Table 8.10, APACS *Yearbook of Payment Statistics* 1999

reasons for visiting banks was to pay in cheques – has declined dramatically. Cheque usage peaked in 1990, when 4 billion payments were made by cheque. The decline in the use of cheques appears to have accelerated even faster than predicted in even relatively recent forecasts. In 2009, the Payments Council, the body which oversaw most forms of payment in the UK, forecast that there would be 1.1 billion cheque payments in 2010. The Cheque and Credit Clearing Company statistics for 2015 show that there were 558 million cheques "used for payments and to acquire cash".[7] Across a range of measures cheque usage, and paper credit usage, declined by about 13% between 2014 and 2015. This decline is expected to continue in step with new technology and changing demographics.

In evidence to the Treasury Committee, Moray McDonald (Managing Director of Products, Personal and Business Banking Division, Royal Bank of Scotland) explained some of the pressures and changes affecting branches:

> **Q553 Teresa Pearce:** Thank you. Mr McDonald, again, last year you dropped your customer charter pledge to stay open when RBS was the last bank in town. Why did you do that?
>
> ***Moray McDonald***: I think this issue around branch networks is interesting. We are seeing a revolution in how our customers want to bank and interact with us. We have been literally, candidly, taken aback. In the last three years, 300 million transactions that would have taken place in branch now take place online or on mobile. We have 6 million habitual online users and 3 million mobile users, so we have seen our customers telling us they want to do something different. We have to follow our customers and decide where we want to invest in resource in order to support them best.
>
> As a result of that, we have decided that there are some locations where the footfall is getting so low that our customers are not using those locations. Whenever that happens, we look at those locations and say, "Let's engage with folks locally. Let us talk to our customers." We engage with councillors and MPs and let them know that it does not make sense to keep a branch open. We go through a period where we say, "What can we do locally to make sure that people who still want to transact here can do so?" We have an alliance with the Post Office, which has 11,000 locations—more than we ever could have. In rural areas, we have grown our fleet of mobile banks so that in areas where we have closed a bank, you still get the chance to transact. We take these things very seriously because we know it does affect customers.[8]

However, the view of the banks is hardly monolithic. Metro Bank strives to be different in very many ways from other banks and its attitude to branches ('stores') reflects this. Further evidence from the same Treasury Committee session from Craig Donaldson CEO of Metro Bank:

> ***Craig Donaldson***: I see the store as central to what we do. The store is in the communities. What we are there for is to serve the communities. The communities are our consumers, but they are the SMEs or the charities—they are the whole part of it—which is

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7 Cheque and Credit Clearing Company 2015 Statistics.

8 Treasury Select Committee; Oral Evidence Treatment of Financial Services Consumers; HC 631 2014-15

> why we are open seven days a week. It is interesting, because when we open a store for the first time it takes time for customers to come in outside core banking hours, because they are conditioned. We are institutionalised to go into a bank between nine and five. You find people come in and you go, "Why didn't you come in this morning when you walked past?" They go, "Oh, God, you're open". We have managed to get into the minds of customers, "We are there for banks. It is our job to queue for a bank." We are a service provider.
>
> **Q561 Teresa Pearce:** Why don't you use the post office then?
>
> ***Craig Donaldson***: Because at the moment what I am trying to do is to grow my network and my infrastructure, so what I am trying to do is serve the communities where I am. I only open accounts in store at the moment because I want to be able to make sure I deliver service convenience to every customer, and to do that I have to grow properly. It is really important that I do.
>
> For me also, I offer things in my stores. In the nicest possible way—I am going to be rude a little bit—I would not want to go into an RBS store. What can I do? I can buy something, but I do not want to buy something. What if I have lost my card? It is my money. It is my access. We are the first people globally to print contactless chip and PIN cards at point of sale. Why? Because customers told us that that is what they want; they say, "I need my card. I cannot afford to wait seven days." Pop into any of our stores, seven days a week, and it takes about two and a half minutes to print you a new one off. You set your own PIN, because you are the customer. If you want a chequebook, pop in and we'll print you one out. Do you want cash or coins? Do you want us to count your coin for free? Why will banks not count your coins? We are banks; you know, that is what we do. I just get a sense that we have forgotten that we are there to serve the communities in which we are. That is what Metro Bank wants to do. That is why we are open seven days a week and that is why we are open early and late, because other people's lives have moved on and it is about time we, as an industry, moved on with that. That is what we are doing.[9]

A report published in 2015 by the British Bankers Association (BBA) – *Digital Disruption* – noted:

> Digitisation is changing many industries across the world and altering the way we as individuals and companies operate. Banking is no different. While banking has been on a path towards digitisation for a number of years, it is the advent of the mobile device that has dramatically accelerated the pace of change. We have gone from almost nobody banking via their phone to millions of people using their apps to check their accounts and make payments every day.
>
> This is changing not just the way we bank but also the way banks have to interact with us. The number of people going into branches to do their banking is falling dramatically (by around 30% in the last three years) and visits are often now for more complicated issues. New products, such as cheque imaging, will reduce the need to go into a branch still further. Likewise contactless cards, faster payments and Paym diminish the need to

9 Treasury Select Committee; Oral Evidence Treatment of Financial Services Customers; HC 631 2014/15

> use cash. Banks are reconfiguring their branches and call centres to deal with these developments.[10]

And:

> In this context, digital is driving a change in customer behaviour. HSBC reported that footfall at its branches had dropped 30% since 2009, with a 10% drop between 2012 and 2013. RBS has seen a similar decline. Moreover, by the end of 2014 it is estimated that the proportion of NatWest and RBS transactions taking place in a branch had fallen to around 10%, down from 25% in 2010. YouGov research for the BBA found that 57% of business customers thought that digital banking meant that their business had to make fewer trips to the branch.[11]

For readers who think that this assessment of the future is fairly radical, the contribution of a leading Fintech analyst might raise eyebrows further. Chris Skinner is writing about the future of Fintech and the relationship between banks and the new digital age:

> The reason why we're all excited about Fintech is because there are so many new start-up firms attached the flawed business model of the incumbents. The startups are starting with no technology from the last century. They are attacking the flawed business model of the existing Fintech firms, who implemented their technologies based upon products and branch distribution networks. The new firms are built around customers using internet services on their mobile and wearable devices.
>
> This is why we're excited about new Fintech, as it replaces buildings and humans with software and servers. That's the new world
>
> It goes further and deeper than this, as it means that Fintech firms can target narrow finance – the unbundling of banking – and just offer component pieces as either peer-to-peer connections, such as lending and credit and payments, or as new ways of connecting, such as buy now and pay later (Klarna) or matching payments data (TransferWise) or creating new digital exchanges on shared ledgers (Ripple).
>
> That is why we are excited about new Fintech as it destroys the fat overhead of old Fintech. That doesn't mean that the old Fintech is not aware of the change. Most incumbent banks are investing in, developing with, acquiring from or doing something with new Fintech
>
> The real question is how can an old Fintech bank become a new Fintech bank? How can a bank move from a product-centric structure based upon physical distribution to a new customer-centric structure optimised for digital distribution?
>
> This is the fundamental question for a bank, and I claim that to be fit for new Fintech structures, banks have to turn their operations on their head. The core of the new Fintech is digital distribution, so old Fintech must get rid of their foundation based upon physical distribution. Once committed to doing this, then the bank can start the change of architecture and organisation to

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10 British Bankers Association; *Digital Disruption*, March 2015
11 British Bankers Association; *Digital Disruption*, March 2015

become a digital platform with customer centricity, rather than a physical structure with product focus.[12]

[12] Chris Skinner; Financial Services Blog; 17 July 2015. Chris Skinner is author of the *Digital Bank*

3. The problem (and solution?)

3.1 Local impact

The issue tends to raise its head nationally when several banks announce similar branch closure patterns, and locally when the branch being closed is the last one in a village or town. In January 2014 Barclays announced that it was closing about a quarter (about 400) of its branches.[13] In February 2015 RBS announced that it was planning to close about 99 branches during the year.[14] Both these closure programmes and those by other banks (e.g. NatWest) will involve branches which are the last in town.

A BBC news article in May 2016 found that about 650 branches of the big banks will have closed between 2015 and the end of 2016. Many of the closures will have happened in areas of low [population density – Wales, Scotland, the South West and North East of England. occur outside of the larger towns.

Consumer organisations such as the Campaign for Community Banking Services were set up to campaign for the continued provision of bank branch networks. They are hostile to closure programmes and point to the effect that closures have on small communities and disadvantaged groups such as elderly customers. The CCBS, for example, which is an umbrella group of charities and consumer bodies, has highlighted the following issues:

> **Access to Financial Services**
>
> The economic cost and inconvenience to small businesses, the elderly, the disabled and others of having to use alternative banking locations/facilities; and
>
> The social cost of excluding low-income consumers from mainstream financial services: exacerbated by the absence of a community based banking presence.
>
> **Sustainability of Communities**
>
> Bank branch closures contribute to commercial decline of communities as better off consumers change their purchasing habits along with the need to travel further afield for banking services, businesses close, re-generation is rendered more unlikely and start-up finance for local business becomes more difficult to obtain.
>
> **The Environment**
>
> Action taken by consumers to overcome the problems caused directly and indirectly by bank branch closures contribute to environmental damage, for example, through increasing motor vehicle use.[15]

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13 The Independent, 29 January 2014
14 The Financial Times, 4 February 2015
15 Campaign for Community Banking Services

> As part of its annual Branch Network Reduction Report the CCBS "confirms that the rate of bank branch closures has increased substantially" in 2014.[16]

Another Report published by 'Move your Money': *Abandoned Communities*, was similarly critical of the closure programmes.

It claimed that "there is clear and consistent demand for branches declared by the British public, but also that this preference is also borne out by people's actual behaviour too".[17] It goes on to say that closures are not a response to broad demand conditions but as a result of business calculation "far from responding to demand pressures, the major UK banks are simply closing branches in poorer areas and opening or retaining them in more affluent areas".[18]

Most seriously, from a more macro-economic point of view, branch closures have real impact on bank lending:

> By mapping bank branch closures against the British Bankers Association postcode lending data, we show that bank branch closures dampen SME lending growth by 63% on average in postcodes that lose a bank branch. This figures grows to 104% for postcodes that lose their last-bank-in-town.
>
> On average, postcodes that lose their last-bank-in-town receive almost £1.6million less lending over the course of a year - a significant and damaging drop in funding for areas that are already under commercial and economic pressure.[19]

When asked (in surveys) most people say that convenient local branches were essential or very important to them. There is some evidence that this is not simply a nostalgia for life in Walmington on Sea. When customers were asked why they switched banks under the new account switching scheme

> 34% of respondents giving branch location as their key reason for switching, it was cited more than twice as often as the next nearest reason. In their later research for the CMA, GfK NOP found that 31% of people chose their main bank based upon the convenience of the locations and opening times of that bank's branches (rising to 39% for people in Northern Ireland), which was the second most cited reason (after personal recommendation on 34%).[20]

Past governments have shared the disquiet at large branch closure programmes but have respected 'commercial decisions'. Previously, government saw the solution lying in the development of new partnerships between local institutions, such as the Post Office, and the banks, although this did depend on the survival of a broader post office

16 CCBS press notice 5 September 2014
17 Move your Money; *Abandoned Communities: the crisis of UK bank branch closures and their impact on local communities*, July 2016
18 Move your Money; *Abandoned Communities: the crisis of UK bank branch closures and their impact on local communities*, July 2016
19 Move your Money; *Abandoned Communities: the crisis of UK bank branch closures and their impact on local communities*, July 2016
20 Move your Money; *Abandoned Communities: the crisis of UK bank branch closures and their impact on local communities*, July 2016

network, which suffers from similar constraints as banks, often in the same geographical areas.[21]

3.2 Access to Banking Protocol

In January 2015 the then Business Secretary, Vince Cable, held a round-table meeting with the main retail banks to discuss rural branch closures. In March 2015 the banks published an Access to Banking Protocol. It reaffirmed the banks' collective commitment to financial inclusion and included the following section covering the process surrounding closure decisions:

> **Community engagement and impact assessment**
>
> After a bank has decided to close a branch and having first advised impacted branch staff, the bank will engage with other key local stakeholders (these may include the local authority, local business associations and local advice agencies). The purpose of the engagement will be to develop a further understanding of:
>
> - the potential impact of the closure on the community
> - the potential impact on branch users; and
> - the availability of alternative ways to bank for branch users.
>
> Issues considered during this engagement will include:
>
> - the number of personal and small business branch users affected
> - the age profile of branch users (i.e. both older and younger users)
> - the number of vulnerable and other branch users who are more dependent on their branch than others (e.g. because they are disabled, older, digitally excluded and / or lower income customers); and
> - an analysis of potential future service users.
>
> **Publication of impact assessment**
>
> Banks will publish the results of their engagement and impact assessment, and the considerations taken into account in assessing the impact of the branch closure, subject to the removal of commercially sensitive information. The results will be made public before the closure of the branch.
>
> **Ensuring continued provision of alternative ways to bank**
>
> Where banks determine there is a continuing need for services, suitable alternative ways to bank will be put in place before the branch is closed. The nature of this alternative provision will be informed by the bank's impact assessment and the community engagement described above. Consideration will be given in particular to ensuring the continuity of small business relationship management (e.g. telephony, internet), and enabling branch users to check balances, make cash withdrawals, and make cash and cheque deposits
>
> In the consideration of alternative ways to bank, account will be had in particular to proximity to:

21 See HC Deb 6 January c170W

> - Alternative branch(es)
> - Free to use ATMs
> - Post Office branch(es), including their local capability and capacity
> - Nearer alternative bank's branch(es)
> - Alternative outlets (such as cash back / Pay Point retail outlets)
> - Credit union and community finance providers; and
>
> The availability of additional banking channels, such as:
>
> - Partnership arrangements with the Post Office
> - Telephone banking
> - Mobile banking
> - On-line banking; and
>
> Banks will also take into account the local availability of broadband and access to alternative ways to bank for vulnerable customers.
>
> The existence of an alternative bank's branch alone will not be considered an appropriate suitable alternative.[22]

The Government's response was set out by Harriett Baldwin, Economic Secretary to the Treasury, in June 2016:

> The Government welcomed the industry-wide Access to Banking protocol announced in March 2015. The Government believes that banks should act in the best interests of their customers and continue to serve the needs of the consumer as well as the wider economy. Although decisions on opening and closing branches are commercial ones, in which the Government does not intervene, it is imperative that the banks live up to the spirit, as well as the letter, of the commitments in the protocol.
>
> The British Bankers' Association consulted relevant government departments and the regulator, as envisaged in the protocol, when it appointed Professor Russel Griggs to lead the independent review. The independent reviewer's role is to consider and identify best practice in implementation and, if appropriate, make recommendations for amendments to the protocol to ensure it continues to meet its objectives.
>
> The Government has not assessed the impact of the protocol or banks' compliance with their commitments in the protocol and as such will not submit formal evidence. However, the Government awaits the independent review's conclusions, and any recommendations that the reviewer makes for the future of the protocol, when they are published later this year. (PQ 38334, 1 June 2016)

The Independent Review

An independent review into the workings of the protocol by Professor Griggs was announced in May 2016 and the Review was published in November 2016. Part of the findings are summarised below:

22 *Access to banking protocol*

> The Access to Banking Protocol was put together to manage the way the closures are done and was put together by the banks, interested stakeholders, Trade Associations and the UK Government. Nothing like this had ever been put in place before so in honesty the chances of it being absolutely correct were unlikely and that is the case.
>
> The banks though in their first year of working with it have tried hard to do it correctly so have not viewed it just as a 'tick box' exercise but have approached it with the right culture, resource and emotion to do it properly.
>
> That they have not got it totally right is also true and they could significantly improve a number of areas including the way it is communicated, their engagement with customers and stakeholders, and their explanation of the reasons for closures, and I expand on each within the review, and it is encouraging to know that they accept the comments and suggestions I have made and are approaching adapting what they do to them positively for the future. I also think that there are other issues that need to be addressed by others to make the closure process work better for us all and help us all achieve good outcomes from it.[23]

In the Review, Griggs, who describes himself as a 68-year-old man living in a 'dual' area, with only two-part time banks, acknowledges the impact that technology is having in the move away from branches:

> Smartphones have been a key part in that acceleration. Two-thirds of households now have at least one smartphone, and these are now the most important device for connecting to internet banking. Banking Apps have now been downloaded 22.9 million times, and the number of mobile banking log ins each day exceeds the number of online banking log ins. More than half of consumers with 4G access bank on their smartphones, compared to a third of 3G users. The pace of this growth is highlighted by the fact that at the time of the London Olympics at least one of the major banks had no mobile users and now has millions. Also as I have met and talked to customers across the UK in communities where a branch has closed and have asked how often people use their phone banking it is clear that some use it many times a day, and most people who bank through a mobile App use it at least once a week and a third every day. By contrast the average bank consumer uses a branch once every 2-3 months.[24]

He also commented on the changing geography of Britain:

> The geographic delineation between communities that once may have existed may no longer be there due to increased house building, better car and road links, placement of schools etc. While many may still have their own names and exist as a community, in truth commercially they are now part of or linked with a wider geographic area in which they now are part and are seen to be part of from a commercial point of view. That is why I said I was part of a 'dual' community in my introduction as I have seen many places where two close communities are now seen as one by those commercially operating in that area and look on them as a single entity whereas the two parts will still consider themselves apart and all usually have pre-existing tensions

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[23] Prof Griggs; *Access to Banking Protocol one year on review*, p4

[24] Prof Griggs; *Access to Banking Protocol one year on review*, p12

> between the two communities in terms of 'who gets what etc'. It is not just commercial reality or movement that has redefined communities but many other things including national and local election boundaries, school catchment areas etc. but the challenge is that different ones are used for different issues. In terms of branch closures it tends to be financial districts using demographic and other data supplied by large international firms who specialise in defining areas.[25]

Turning to the specifics of his analysis, his main target is poor communication of decision making and outcomes by banks to the customer. He recommends a higher profile for the impact assessments (see these for Barclays) which banks are required to publish for each closure.

Given the commercial background to these decisions, Griggs finds that the banks do generally take all factors into account that one would expect of them:

> Having looked at all the ways that banks make those decisions I am comfortable that they make them in a way that is appropriate to their own business at the time and takes into account all the factors that they should. Therefore, they are all in my opinion sound commercial decisions within the context that they have made them. I need to make clear that a commercial decision does not necessarily mean it is done to cut cost as many customers and stakeholders I have spoken to appear to think. Indeed, in the closures that have been made in the last year very few staff for example have been made redundant other than those who asked for it and the bank were content for that to happen. Most staff have been redeployed to other branches and continue to provide service to customers. Branches are closed for many reasons and many in fact cost the bank money to do so but in general are closed because they have low footfall and there is another branch or alternatives that can deal with them. Banks find it challenging at times to find staff to move to these low usage branches where the staff's focus is solely to do with people coming to the branch so it can become boring and uninteresting for the staff. Some closures will be to do with building issues ranging from the end of lease (most banks do not own the majority of their buildings now but lease them) to the building being in need of upgrading and that not being possible for a multitude of reasons.[26]

The BBA has said that following the recommendations made in the Review:

> As part of their commitment to improving outcomes for members of the public and business customers affected by branch closures, banks have accepted the recommendations of the review and will now work with its author Professor Russel Griggs on an updated version of the protocol.
>
> It will include banks:
>
> - having specially trained staff in branches due to close to help customers with alternative banking methods;
> - telling the local community as soon as practically possible after a decision to close a branch is made; and,

25 Prof Griggs; *Access to Banking Protocol one year on review*, p14
26 Prof Griggs; *Access to Banking Protocol one year on review*, p21

- working more proactively with elderly and vulnerable customers to understand their requirements and to use alternative ways to bank.[27]

3.3 Access to Banking Standard

Following the Review above, in July 2017, the banking industry announced that members of the Banking Protocol agreement would be bound by a further set of requirements when they were considering closures. These new requirements reflected some of the criticisms made by the Griggs Review. Under the Standard:

- Banks, where possible, will engage with customers and stakeholders as soon as possible after they have made the decision to close a branch and not wait until 12 weeks before, which will be the minimum standard not the norm;
- Banks will engage more directly with their older or more vulnerable customers when a branch closes to help them better explore the alternatives available to them;
- Banks will ensure that skilled personnel are available to help customers who continue to require assistance;
- On the Impact Assessment, which the banks must produce for each closure:
  - Impact Assessments will be spilt into two parts with the reasons for closure being available to customers at least 12 weeks in advance of the closure of the branch, and the second part being published once the bank has finished its post announcement engagement with customers and stakeholders. This will set out what issues were raised and what the bank has done to mitigate them;
  - Impact Assessments should be more specific to the branch they relate to;
  - The meaning of key words in the Impact Assessments will be made clear so that there is no confusion on meaning between the bank and its customers.[28]

The full Standard can be found here.

There was a Backbench Business debate on branch closures in June 2016 and in February 2018.

27 BBA press release November 2016
28 UKFinance press release July 2017 (note the BBA merged, along with several other groups into UKFinance in 2017)

4. Banking without branches

In 2000, an academic research report - *Banking without branches* – was published by the BBA. Many of the themes remain relevant and a summary is shown below.

The banking sector is itself promoting research into financial exclusion. Of particular relevance to the closure debate, however, is allied work that looks at what use is actually made of bank branches, and how individuals can obtain financial services when branches close. A report that the BBA commissioned from Elaine Kempson and Terry Jones at the University of Bristol looked specifically at how individuals and small businesses carry out banking transactions when they do not have access to a local branch.[29]

The report looks at those who do not live close to a bank branch: this is interpreted as being within one mile of a branch in urban locations, and within four miles in rural locations. About 15% of rural and urban personal customers fall into these categories. Among small businesses in rural areas 15% are more than four miles from a bank, but that figure drops to 7% in urban areas. Whilst most of these businesses and individuals are content with their banking arrangements, a significant minority - 10% of them, or around 1.5% of the population faces real problems. The report focuses on the attitudes of customers who do not live near a branch, so its findings do not necessarily apply to branch use by all customers.

Personal customers in this situation have generally found ways of obtaining bank facilities without using branches, the report found, but branches are important when they need to deposit money or to arrange overdrafts and loans. Patterns of banking vary most with age rather than location, with young people using bank facilities most often, but making less use of branches, whilst older customers use banks less frequently but largely through branches. Amongst those who found it hard to visit branches, or relied on others to do so for them, the elderly, women with small children, and those with disabilities made up a disproportionate proportion. Reliance on public transport was also more likely to cause difficulty with bank access.

Small businesses make heavier use of bank branches than individuals, particularly for paying money in, although those working from home tend to exhibit banking patterns that are between those of business and personal customers. The main complaint among the 11% of isolated customers who found access to their banks difficult was the time (and consequent lost work) it involved.

The report canvassed a number of possible remedies for those who experience problems, including more cash machines, self-service banks, shared branches or community banks, agency arrangements with the Post Office, subsidised local bank facilities and remote banking (by

[29] Elaine Kempson and Terry Jones, *Banking without branches: a study of how people conduct their banking business without a local branch*, University of Bristol; January 2000

phone or computer). Of these, increased numbers of cash machines and agency arrangements with the Post Office seem likely to meet the wishes of customers most closely whilst also being commercially viable. That said, one of the report's conclusions is that no single solution presents itself. For example, small businesses prefer agency arrangements or shared branches, since these match their use of banking facilities best; amongst personal customers more cash machines is the most acceptable solution, but older customers were unlikely to make much use of them and seem to prefer branch facilities.

The report notes that the requirements of those who are isolated from banks not only vary amongst that group, but are not necessarily the same as those of most personal customers. This seems to mean that some solutions would not attract enough general use to be economic. Increased numbers of cash machines – including at post offices – despite their general attractions are unlikely to be justified in very small communities. The concept of shared branches throws up several governance problems relating to their staffing and security, as well as how they might operate in a competitive market. Community banks raise many similar problems, and would probably need to differentiate themselves from post offices to justify the costs of setting them up. Greater use of the Post Office network might make it a monopoly supplier in some areas; it will also not work where the network is contracting. Mobile banks seem not to be attractive options for the banks.

Remote banking, technical solutions and even unattended deposit facilities appear not to command widespread trust amongst isolated bank users, so banks will need to work hard if they wish to market these as alternatives to branches for some types of customer.

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