

Impact of Bank Closures

Economy Jobs and Fair Work Committee - Tuesday 29 May

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1. Impact

1.1 Has there been an impact of bank closures on the wider local economy and community?

Yes, an established business for many years in Juniper Green is the fishmonger. He tells me that his takings are down 15 -20% since the bank closed. He added that his colleague, another fishmonger, near Golden Acre, where two banks closed, has takings down 20%-25%.

The population of the villages of the upper Water of Leith, some 20,000 citizens, represent the size of a small town. When RBS left Juniper Green last year it was effectively the last bank in town. In a UK Government briefing paper [1] the research mapped bank branch closures against the British Bankers Association postcode lending data, They showed 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.” But, lending is not the only story; shopping footfall decreases and small traders also suffer lost revenue.

An important point here is that these small traders like the fishmonger, butcher and greengrocers have a short supply chain so when the snow came suddenly on two recent occasions it was these small traders that were providing food for their respective communities when the so-called “big beasts” of retail had lorries stuck on the various motorways. So, it becomes vital then to retain the services of these small traders in our communities especially for those less able.

Then, there are the small tradesmen in our villages who, according to yet another business in Juniper Green, who were spending half a day travelling miles to deposit their takings each week. The development of a new, regular weekly mobile bank service, limited as it is, can maintain links and provide a sort of service ... we have that on trial at present and I address that later.

The loss of the branch leads to the loss of footfall – it is often displaced to locations where banking and shopping are combined. That is a loss to the local small businesses and a gain for large supermarkets/chain stores. This in turn leads to the destruction of communities and greater need for transport, both public and private – and a resulting increase on the cost to the nation in terms of extra buses, fuel needed, road wear and tear and so on to contribute to environmental damage.

There is growing evidence that all communities suffer to a larger or lesser degree when face-to-face financial services terminate [as described in 2] but I think you have seen this document from a witness at your hearing in April.

Colinton Village Centre was already in decline and the branch closure may have contributed, but wasn't the sole reason for the high street ceasing to be the centre of the community.

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What is sad is that there is no social, cultural and moral imperative demonstrated by any of the players. Banks are no longer part of the social glue that holds communities and businesses together and lubricate commerce and industry, but are simply evolving into Financial Technology companies operating computers that, like TSB don't always live up to their promise, and have no interest in helping society function despite their PR to the contrary.

In the seminal "Management of Innovation", [3] one of the most influential books about business organizations, the authors define organisations as **mechanistic** and **organic**. I mention this because all the Bank's, a vital essential element of our society, demonstrate the worst aspects of the mechanistic rather than the organic we need in a time of accelerating technological change. I don't want to dwell on this but it is further demonstrated by the impossibility of communicating or interacting with the Banks on any subject – be it customer or community.

Why should we pay for their mistakes of the past and why cannot the changes be more subtle and slower so that communities can react and adapt?

Look at the chaos and losses for TSB customers when they tried to upgrade their online systems. It is still not resolved and all the big banks have yet to go through a similar process in the future as massive old creaking mainframes fail and pass into history.

My computer colleagues suggest "We ain't seen nothing yet"

Is it any wonder that many remain unconvinced of the advantages of going online.

From some of the research in [1] it may be that the Metro bank has the right attitude to today's banking woes answering their customer's need rather than those of the management and shareholders, providing a philosophy closer to the organic as described in [3].

1.2 Who is likely to be most impacted?

As you would expect, it is mostly the older folk and disadvantaged – those without the desire for or access to technology.

Disability groups may have difficulties in using mobile phone, trouble remembering long sequences of numbers to access an account or those with dexterity issues. Dementia is also a growing problem in all parts of society.

Like many less prosperous countries people are finding clever work arounds like using Iceland and the local deli in Juniper Green for cashback, asking for family help or moving to a Bank that is more accessible; in our case on the 44 bus route albeit miles into town.

Several local traders installed card machines to mitigate the loss of both bank and its ATM in Juniper Green and at least one shopkeeper invested in a "cash back" service. But, these card machines often come with considerable cost to the small trader, and from self-defence rather than part of their business plan. In other words; not from choice.

Small local businesses all found ways round getting cash and paying in cheques, but they all cost time and aren't as convenient – but convenience has no value to the big banks. Paying in at the Post Office slows cheque payments because the post office is just that and not all Banks have the same agreements with them as they are just a courier to big centralised Banks. The post office is not a substitute for the loss of the high street bank.

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We've spoken of the old and frail – but what of the young?

Several parents and grandparents explained at a number of public meetings in Juniper Green how important they believe it to be when they could regularly take their children to a local bank to put some money into their children's account.

Money management sessions at local schools can play a role but again they are not sufficient, dealing as they do with hypothetical situations, which may or may not resonate with the children. It is not as instructive as seeing your own bank account increase with regular savings.

Another group that have been hit by bank closures are the churches and charities. Where do the Sunday offerings go now that the night safe has been removed? How does the person who serves in the tea room at Saughton Prison get change regularly for a float? You can't get cash over the telephone or from online access; it has to be face-to-face.

Then, there are those who just don't trust online banking due to security worries.

2. Research

Has any research been conducted examining changes in footfall or customer spend in local high streets as a result of bank closures?

A small informal survey around the shops in Juniper Green and Currie indicate a decline in footfall following bank closure.

However, the small shopkeepers do confirm a result from your evidence at the end of April that transactions cash versus card remains high at around 70%-30% respectively.

Larger retailers like Iceland do report a trend towards more card payments. Others have done more research [2] and the anecdotal evidence demonstrates a footfall trend downwards wherever banks have shut ... the weight of academic evidence is also growing nationally [1].

3. Alternatives

How effective are the alternatives to bank closures - for example Post Office provision or mobile banking units?

3.1 Post office

It may be too early to say but the universality of the Post Office network is no more guaranteed than that of the Banks as reflected in your previous session at the end of April.

When RBS closed we had to provide a "what you can do at the post office" insertion to the local newspaper to help as many individuals as possible ... from RBS there was no meaningful communication at that time.

The mantra of use the post office works for some but not all and the service is limited. Two local POs (Balerno and Colinton) are reducing to just one counter each and another at Currie is still for sale. This resonates with the evidence from your last hearing.

Edinburgh has seven radial roads that are the main arteries in and out of the city. It appears to us that no geographical analysis was ever done to mitigate bank closures.

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For example there are no banks on the A70 within the city boundary, but several in Corstorphine on or near the A8. Is Geography not in the curriculum these days? Geographical distribution modelling and social impact are the bread and butter of supermarkets – but seemingly unknown in Banking circles.

The Banks seem unaware or disinterested in the social impact and simply draw a line on a spreadsheet, a fact confirmed to us when we met with RBS as part of the access to banking protocol. There is a lack of consideration and social awareness among the autocratic and monolithic bureaucracy that are today's Banks.

During the live session it was reported that banks could not confer on bank closures due to commercial confidentiality. However, they seem ready enough to go into a darkend room to discuss the LIBOR rate.

3.2 Mobile van service

Mobile banking units have yet to take off.

There now is one serving Balerno, Currie and Juniper Green – once a week for just 30 minutes in each location in contrast to the normal trading week. If mobile banks are to be provided, they need to be in one location for far longer given the size of our communities – at least half a day in each of the three locations.

One cannot expect people to run their lives according to the timetable of when the bank might arrive.

One of our action group has tried to make time to get there to resolve an issue, face to face, for three consecutive weeks but has been unable to due to family pressures and commitments.

It has taken months and much effort to get a mobile bank for the villages along the Water of Leith and maybe RBS are now in listening mode; I'd like to think so.

The introduction of a mobile banking service is helpful, but again it has a limited range of services, and a 30 minute visit once per week is no substitute for a full service, full-time branch.

The replacement service that provides for half an hour at weird times is they decide is not answering the community's needs – just a PR sticking plaster and perceived by some as a cynical ploy and self-fulfilling prophesy – “We gave you a mobile bank and you didn't use it”.

Having said all of that the mobile van is providing a service for some: businesses who can now deposit locally rather than having a two hour round trip to the nearest branch, for those who need change for charities like those who staff the tea room at Saughton Prison, for the school administrative staff who again save their precious time by using the van and many old and disabled customers. It's not ideal but it's better than nothing and it's a case of ... use it or lose it.

To improve the service may require community involvement which in our case has been the community councillors showing up at the mobile van times to ensure a smooth transition to this new service. Publicity is also important and we have been active in Juniper Green to alert as many as possible to this new service. We are then liaising with an official at RBS to resolve any shortcomings of the mobile van's portfolio of products.

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In addition, we have maintained a good relationship with Castle Community Bank (CCB) and when, eventually, they acquire the promised old mobile van they have agreed to serve our village communities for longer periods than currently is the case. More of this anon.

4. ATMs

Has access to ATMs changed over time or is it likely to change in the near future?

4.1 How it changed?

When RBS closed in Juniper Green they took the ATM with them.

This has left our village of some 5000 inhabitants without either a post office or an ATM.

In the wider area we have lost two more ATMs recently but that's not the main issue. What people want and is needed is face-to-face assistance with major financial issues.

Any further cut-backs to Post Offices will have a disastrous effect on the local economies. The remaining Post Offices in Balerno, Currie and Colinton do not have ATMs. The current ATMs are all outside which makes them and their users vulnerable to criminal activity in areas not necessarily well-lit. Many prefer to use an internal ATM where there are people moving around.

This is an interesting one for Colinton.

RBS left an ATM and made arrangements for it to continue after the bank branch closed.

The new Co-op has an ATM, which leads the cynic in my informant to ask how long it will be before RBS decide to remove their machine because of a drop in transactional volume.

When it comes to arranging a mortgage, loan or probate and dozens of other of life's little problems the Banks have forgotten that, as the Dean of the London Business School Professor John Quelch said of this rush to computerisation: "You cannot email a handshake".

And Banks are not just about getting your money out of a hole in the wall!

A simple example: We all die.

Recently a friend's father died and he had to travel twelve miles across country to a Branch to show the originals of an incredible number of documents, such as the birth, marriage and death certificates and sign forms at a time that suited the Bank, rather than the family, at a time of some considerable distress. Is this 'Caring Banking'?

4.2 What more could be done to improve ATM access?

ATMs are only part of the issue. They need to be in enclosed secure spaces where people will not feel vulnerable to attack.

They need to be capable of issuing £5 notes and dispensing change.

The cost to shops providing such facilities should be at no cost to them but should be a charge to the banks who collectively should be duty bound to provide a convenient 24/7 service (except for small shops) with say one outlet for every 2,000 people and within a walking distance of say 500m.

But, as I began to suggest, ATMs are not the major issue.

The issue is face to face.

An immediate improvement for Juniper Green would be the reintroduction of a local ATM.

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If the mobile branch is going to be a permanent feature of banking services then perhaps the vans need designed to incorporate technology similar to that used in Recreational Vehicles (RVs) in the US. RV technology offers expandable sides, so that it is slim enough for the country roads than the RBS van must use but, on parking, the sides can be expanded to allow a larger internal space.

Perhaps the weight to size ratio would not allow a van to carry a mobile ATM, but it is worth investigating.

In Juniper Green we have made contact with a designer from the Royal College of Arts in London who is engaged on research for Age UK for the future provision of banking services for the elderly and vulnerable. She is investigating in several regions of the UK including Dartmouth, Liverpool, London and Edinburgh. We are in the process of arranging a workshop for her with a number of individuals with differing banking needs such as a disability, those unable to go online for whatever reason and those with a scepticism for electronic financial services.

You cannot get help with issues or arrange a meeting to discuss your business/family needs with any of the banks now. Those reporting to our community council about the lack of ATMs are those who work during the day so cannot take advantage of the new mobile van service. And the community cannot assess the profitability of the van because the bankers hide behind commercial confidentiality.

One of my informants reports that when watching the mobile bank vans being built in Dalkeith it was interesting that the van design has changed to incorporate the technology rather than the customer.

5. Credit Unions

What are credit unions doing, and what more do they need to do to offer an alternative to standard retail banking?

5.1 Community banks, while willing, are not sufficiently developed or extensive enough to replace the number of outlets that have been lost through bank departures. They cannot suddenly fill the gap that has been left by the banks all rushing to be first through the exit.

5.2 A group of concerned residents in Juniper Green, Colinton and Currie led by our community council arranged a meeting and visit with those who build the mobile bank vans with Castle Community Bank (CCB).

Castle CB will get a mobile van soon but the process is slow and all being done too late while the expensive HP shops thrive. There is synergy between the needs of those in the WesterHailes community and the more affluent citizens in the villages of the upper Water of Leith; and that is ripe to be exploited.

In essence banking is simple ... money in and money out. Castle Community Bank seem prepared to service the residents of the villages in the upper Water of Leith but it won't raise their profit only their capital. But, CCB could play a role in fighting the HP firms in nearby communities and at the same time make a small, reasonable profit on loans there. Perhaps this is where the MSPs can help?

6. Old bank buildings

What should happen to the bank premises when they are vacated by local banks?

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They should first be offered to community organisations, either as a gift or on a long term peppercorn rental. That way, the economic impact of a branch closure has the potential to be ameliorated.

For example, by the creation of business hubs, starter units or community enterprises.

This is again where the banks are showing no social responsibility. In Currie a local business needed more space and tried to talk to HBOS agents to buy the vacated bank and was told he wasn't what the bank was wanting. It still lies empty. The unintended consequences – the old bank had a car park, the local trader doesn't so it would have relieved a local congestion hot spot. Then in Juniper Green the only development at the old bank site has been a fast food outlet which would add to the seven we already have; this was not what the community wanted or needed. The Banks could have rented their premises, keeping part to derive income above bank rate. Why are they selling the family silver and limiting future options?

Presently, in Juniper Green people are being forced to drive out of their community to another community (such as Corstorphine where local RBS customers had their accounts shifted to) and the local community will suffer even more – shops and businesses will close and more commuters will be added to the already over-congested road.

Banks should be regarded by Government as part of the essential infrastructure to enable a community to thrive.

7. Community Councils

What interest and capacity do community councils have in maintaining a public space to host the 'last-branch-in-town' on behalf of one or more banks?

Community Councils have considerable interest but they already have a wide range of duties and demands on their resources. They are underfunded and do not possess any executive arm. They rely on willing volunteers who frequently do not possess relevant expertise. CCs have no capacity to do more than identify an issue and seek help from the relevant authority.

In addition, community councils are not allowed to own property ... but community centres and church halls and Libraries are possible but none of the banks show any interest and everyone starts with the assumption that it wouldn't work!

So big attitudinal shift needed on both sides.

Having said that, there is probably interest, such as in our location with very few Council-provided facilities, but we'd need grants and assistance in order to investigate potential uses for the building, and then acquisition, as we know, a big, time consuming, job and probably too daunting for many CCs.

8. Building acquisition

What interest do community councils have in acquiring empty bank buildings, and what assistance should the Government offer.

In essence banking is a very simple business.

Banks make money by lending but need money in to be able to lend. In the communities of the upper Water of Leith the perception is that a credit union or community bank will be providing a service, face-to-face financial services basically for money in and money out.

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Juniper Green is perceived to be an affluent area of the City and is directly next to one of the most deprived. In your hearing at the end of April you heard about the new service offered by Capital Credit Union at Prestonpans in East Lothian.

Such a solution could work in our part of Edinburgh too but it needs further support. We have kept a close link with Castle Community Bank and we are working actively to make banking services work for both the well off and the not-so-well off.

9. Governmental influences

What the Scottish and UK Governments could be doing to help ameliorate any negative impacts of bank closures.

We would ask that the Scottish and UK governments act with haste to restore banks to each community that had one; that it checks how assessments were made on which banks should close (value to the community and how 'footfall' was calculated - e.g. was it the actual branch the person entered or where the account was held?); that it recognises that a large number of people cannot handle the banks' preferred technology; that technology can fail (just when you need it); and that people, not being robots, need someone to translate unfamiliar jargon into a language they can understand.

That requires face-to-face contact, not attempting to respond to FAQs that don't relate to your issue and halting the race to force people to use the internet against their wishes and legitimate concerns.

One way would be to give the Access to Banking Protocol some real teeth and require banks considering closures to undertake a specific impact study for each location that is potentially to be affected. If it is agreed in the end that closure of the branch must occur, then the bank must be obliged to maintain an ATM if no other ATM is available within that community. However, consultation needs to be meaningful; presently it isn't.

Another consideration could be requiring the bank to provide a mobile service if no other branch is within a certain radius or certain distance by public transport, or suchlike criteria.

Yet another way would be to simplify community acquisition of community spaces and encourage funding and support. More than just warm words are needed ... so please act.

A radical idea would be to impose a special, punitive, tax on the income generated by the sale of bank premises and hence make banks think twice about closures (say 50% of the sale price to be taken as 'community' tax).

Donating the tax revenue to local communities could be a disincentive to further closures and could contribute to the regeneration of, or support for, their economies.

Alternatively, put the tax revenue in a big pot and open it to bids from local organisations. The Scottish Parliament May already have the powers to do this unilaterally.

You have the powers and ability to do good and limit the damage – grasp the nettle and please prove you're on our side.

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References

[1] Timothy Edmonds, Bank branch closures, BRIEFING PAPER Number 385, 15 December 2016, UK Government report.

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[2] Ben Baruch and Tony Baron, THE IMPACT OF BANK BRANCH CLOSURES ON SMALL BUSINESSES, October 2016, @fsb_policy
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[3] Tom Burns, G. M. Stalker, **The Management of Innovation**, Oxford University Press, 1994

For key summary see: https://www.sagepub.com/sites/default/files/upm-binaries/27412_8.pdf