



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy, Jobs and Fair Work Committee

Tuesday 19 June 2018

Session 5



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ECONOMY, JOBS AND FAIR WORK COMMITTEE
22nd Meeting 2018, Session 5

CONVENER

*Gordon Lindhurst (Lothian) (Con)

DEPUTY CONVENER

*John Mason (Glasgow Shettleston) (SNP)

COMMITTEE MEMBERS

*Jackie Baillie (Dumbarton) (Lab)
*Colin Beattie (Midlothian North and Musselburgh) (SNP)
*Kezia Dugdale (Lothian) (Lab)
*Jamie Halcro Johnston (Highlands and Islands) (Con)
*Dean Lockhart (Mid Scotland and Fife) (Con)
*Gordon MacDonald (Edinburgh Pentlands) (SNP)
*Fulton MacGregor (Coatbridge and Chryston) (SNP)
*Gillian Martin (Aberdeenshire East) (SNP)
*Andy Wightman (Lothian) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Susan Allen (Santander UK)
Carol Anderson (TSB Bank)
Robin Bulloch (Lloyds Banking Group)
Gavin Opperman (Clydesdale Bank)
Simon Watson (Royal Bank of Scotland)

CLERK TO THE COMMITTEE

Alison Walker

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Economy, Jobs and Fair Work Committee

Tuesday 19 June 2018

[The Convener opened the meeting at 09:30]

Decisions on Taking Business in Private

The Convener (Gordon Lindhurst): Good morning and welcome, everyone, to the 22nd meeting in 2018 of the Economy, Jobs and Fair Work Committee. I ask that everyone turn off or switch to silent their electronic devices.

Agenda item 1 is consideration of whether to take in private items 4, 5 and 6. Do members agree to do so?

Members indicated agreement.

The Convener: Agenda item 2 is to make a decision on whether the committee's consideration of a draft report on the impact of bank closures, of our approach to the publicly owned energy company inquiry and of our work programme should be taken in private at future meetings. Do members agree to do that?

Members indicated agreement.

Impact of Bank Closures

09:31

The Convener: Agenda item 3 is an evidence-taking session on our inquiry on the impact of bank closures. I welcome our witnesses. Carol Anderson is the Scotland branch and business banking distribution director from the TSB.

Carol Anderson (TSB Bank): Good morning.

The Convener: Gavin Opperman is the group director of customer banking for the Clydesdale Bank.

Gavin Opperman (Clydesdale Bank): Good morning, convener.

The Convener: Susan Allen is the head of customer interactions for Santander UK.

Susan Allen (Santander UK): Good morning.

The Convener: Simon Watson is the managing director of personal banking for the Royal Bank of Scotland and Ulster Bank, Northern Ireland.

Simon Watson (Royal Bank of Scotland): Good morning.

The Convener: Finally, but not least, we have Robin Bulloch, who is a managing director of Lloyds Bank and Bank of Scotland retail, for the Lloyds Banking Group. Good morning to you, too.

Robin Bulloch (Lloyds Banking Group): Good morning.

The Convener: Witnesses are aware of why they are here and what the inquiry is about. I will start off the questions. What co-ordination is there between banks when branch closures are being considered or carried out? What consideration is given to the other banking provision in an area?

Carol Anderson: I am happy to start. For TSB, closure decisions are very much local decisions. We look at what is available for our customers, how our customers use our branches and what other access to banking there is in the community. Our consideration is very much led by our customers' behaviour—how and when they use our branches—and what we will leave behind if we come out of that area.

We look at whether other banks or a post office are present, and we look at ATM facilities, in particular free-to-use ATMs, and at whether they are available 24/7 and are inside or outside buildings.

We also consider where the nearest branch is and what public transport is available. We would then reach out to anybody whom we considered was vulnerable and help them by providing digital classes and upskilling them on what is available in

that regard, or showing them how they can access banking in order to get cash, if they are a cash user.

The Convener: What co-ordination is there with other banks? On what other bank branches are open or available, it often seems to be the case that when one bank closes in a village or town, all the others follow suit. What co-ordination is there among the banks? Is your answer that there is none, in the sense that you do not co-ordinate or discuss with other banks what provision and availability there will be?

Carol Anderson: We make a local decision based on our branch and customers.

The Convener: Is it the case that other panel members' banks would not co-ordinate in any way with other banks' branch closures?

Susan Allen: As Carol Anderson said, each of us would answer in a similar way about how decisions are made and the factors that we take into account, which she summarised well. We look at the provision of banking in the local geography—at what other branches there are—but our decision is not different depending on whether there are more or fewer other banks there. What we look at is provision of banking services for that community. Such provision is often through the Post Office. Santander has had a long relationship with the Post Office: our customers put through about 20 per cent of its financial services transactions, so it is an important part of our provision, and we work closely with local post offices to ensure that we have continued services for our customers.

The decisions on which branches are closing are commercial decisions that the banks take separately and independently, but each bank will take account of its own customers and of how it can continue to serve its customers in that community.

The Convener: Is your answer that you would try to co-ordinate with the Post Office, but not necessarily with other banks?

Simon Watson: As Susan Allen said, we look at all of the range of alternative banking provision in a given community, including whether there is a post office and its ability to serve our customers. I think that you will find from the answers across all the banks that we look as much as we can at what provision there is and at any additional provision that we might individually like to put in if a bank were to close.

Robin Bulloch: I stress that Lloyds's commercial arrangement is with the Post Office, so that is one of the primary factors in establishing alternatives to a branch, if we choose to close it.

There are no discussions with competitors about provision of services in an area.

The Convener: Is it the same for Clydesdale Bank?

Gavin Opperman: The banks do not have an industry forum at which we get together and discuss branch closures. Individual banks look at the commercial considerations behind such decisions, but first we look at the customers and what alternatives there are for them. We then look at our branch infrastructure to see which is the closest outlet that can service that customer base. That would be our first point. Secondly, as other witnesses have already said, we look at other things including post offices, ATMs and digital capabilities to support customers.

John Mason (Glasgow Shettleston) (SNP): I will continue the line that the convener took. It certainly appears to be the case that some branches are very busy. I had an RBS branch in my constituency that always had a queue in it, but it was closed. We hear that kind of story quite a lot. There appears to be demand, but the banks are still closing branches. Can you explain that to me?

Simon Watson: Over the past five years, use of branches has roughly halved, but the physical ways to bank with RBS have tripled, with the addition of the Post Office and growth in use of mobile banks. The role of community banker that we have introduced means that even when a branch closes, as a way of offsetting that closure we leave in the community somebody who is able to serve that community. Even though branch use has almost halved, the ways to bank have tripled. It might appear that certain branches are busy at certain points but, on aggregate, we cannot ignore the overall trend that is now very obvious, as branch use continues to fall at a rate that has outstripped even our largest expectations of what was going to happen over the past five years.

John Mason: Do you ever publish figures for an individual branch—for example, that, five years ago 1,000 people a week used the branch, but now only 100 use it? If people knew such figures they would understand what was happening.

Simon Watson: We publish the impact assessment when individual branches close. Over time, the number of branches in Scotland in any given market, for all of the banks, obviously has an impact on individual branch usage, so customers are referred to other branches. It is unfortunate that some of those branches will have closed, so we now try to give clarity about the network that we have, and we have given a commitment not to review the branches in Scotland until 2020. The usage figures for the branches that we are closing are all in the public domain.

John Mason: So the actual footfall, if that is the word that you use—

Simon Watson: We measure all transactions that go through a branch for every customer and whether the customer uses that branch or another. In line with all the other banks, we publish all the measurable customer activity in and out of a branch.

John Mason: Thank you. Would any of the other witnesses like to comment on why busy branches are closing?

Susan Allen: Santander considers the matter carefully before we decide to close a branch. I think that every one of us would say that decisions to close branches are taken really seriously. We understand that closure has an impact on the customers who use the branch, but we examine all the alternatives carefully and we look at branch usage over the past few years.

As Simon Watson said, footfall has dropped. However, there is an important distinction between transactional activity and advice. Many customers, despite telephone and internet banking, want to come and speak to somebody for advice. That might happen only a few times in the year over a few years, but they still want good-quality face-to-face advice. Therefore, we have decided to ensure that branches remain an important part of how we serve customers. We have slightly fewer branches, but more larger branches that bring together all the specialists who can support customers, whether they want to talk about life insurance, investments or their mortgages.

Day-to-day transactions are declining not just because of internet banking but because of the level of use of debit cards: a report that came out this week says that use of debit cards is now overtaking use of cash in the United Kingdom. Debit card use is easy for customers; in the past few years, many technologies have been introduced that make life a lot easier for customers, which has impacted on the sort of support that is needed in branches. Most of our transactions can be done really well through post offices, so we provide local support for transactions and support for advice in some of the slightly larger branches, as well as through telephone banking, video and the internet. There are lots of different ways to support customers.

John Mason: Colleagues will come on to questions about using post offices and alternative ways of banking, but I will focus on footfall. I have read some of your submissions. Are you all measuring footfall and usage of your branches in the same ways? Perhaps panellists do not know how the others measure, so that might be an unfair question. We had a little bit of confusion before, because it was suggested that only

customers of a given bank would be counted as using a branch whereas, for example, I have paid money into Santander for somebody who had an account there but I did not have one, so I do not know whether that was counted. Is there a consistent way of counting footfall and usage?

Susan Allen: I am not able to comment on the other banks' approaches. Santander counts all the transactions over the branch counter. In Scotland, they have dropped 10 per cent year on year, and more materially, over a few years. As well as counting every transaction, we examine regular usage so that we know how often people come in and can ensure that we have the right services for them. Roughly 50 per cent of customers who use a particular branch also use another branch. We consider that metric and what proportion of customers use other channels. Typically, about 90 per cent use ATMs, post offices and online or mobile banking.

John Mason: Will the other witnesses confirm that they include in footfall figures every transaction that happens, and not just the customers who have accounts in that branch?

Witnesses indicated agreement.

John Mason: All the witnesses are confirming that.

Susan Allen said that usage is falling 10 per cent a year, but the number of branches appears to be falling by more than that. This will be a chicken-and-egg question. Are you closing branches because fewer customers are using them, or is it because you want more customers to go on to the digital service and you are forcing that by closing branches?

Carol Anderson: Many things are happening. There are some branches where footfall is declining by more than 10 per cent and others that are sustaining really good footfall. As we saw in the report from Professor Griggs's review, many customers use branches near large shopping centres when they are going to work or going shopping. That has an impact, as well. We invest in the branches where customers choose to use us more and to which they will travel. As Susan Allen said, those customers will appear over several branches and figures will show that they transact in more than one branch.

09:45

John Mason: Are you saying that you will follow where the shops go?

Carol Anderson: We will follow the customers, and are customer driven.

John Mason: Do you take into account the fact that shops that are near banks that close will also close because they will lose their customers?

Carol Anderson: A bank will not close unless there is something wider going on in that high street. The bank does not tend to cause those things, but is part of what is happening. As we do with retail customers, we look at provision and how we can help the business to do its banking through a post office or through other arrangements.

John Mason: Do you accept that at least some of the people who have come to the committee think that bank closures impact very negatively on a whole town or high street?

Carol Anderson: That is the opinion in some of the reports.

John Mason: Would anyone else like to comment on that point?

Simon Watson: There is a wider and important context, which is that the way the economy works and how people behave—how we are all doing things—are changing so quickly. Collectively, and certainly from the RBS perspective, the banks see that we have a responsibility to make sure that we are fit for purpose to serve the economies in which we exist and where our customers work.

On changes to the high street, there has been a 40 per cent reduction over the past five years in the number of cashier jobs that are available in Scotland, and a 40 per cent increase in the number of technology jobs. There has also been a 30 per cent increase in the number of van driver jobs. Those are symptoms of the fact that people are using online and mobile banking as their primary means of doing things.

As well as keeping pace with that, our job is to ensure that no one is left behind. That is why we look at alternative ways of banking, so that people can continue to meet their everyday banking needs face to face in their local community, if they choose to do that. What we are seeing on the high street is a symptom of a bigger shift in how we all do things every day, and that plays through into how the economy is shaping up.

John Mason: Thank you. Other colleagues will explore that further.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Banking is a service industry, and many of our witnesses feel that the banks have not looked at enough alternative options to branch closures—for example, downsizing branches, sharing premises with other banks or opening on alternate days of the week. All sorts of proposals have been floated, but they do not seem to be happening—why not?

Susan Allen: When we look at a branch, we look at the usage and all the alternatives that are available in that community, as Carol Anderson outlined, including things such as Link ATMs and post offices. The Post Office is able to provide a really good service for our customers, and we have worked with it for many years. It allows transactional banking to be done in the local community, which we see as very important. When we close a branch, we look at how close the local post office is to the branch and whether it can provide that service to our customers. One branch that we closed this year had a post office 66 feet away.

We also know that it is important for customers to know the people in the branch. Customers who come to our branches are often regulars, and they build a real connection with the people whom they meet when they come into the branch every day, week or month. We work really hard to move our colleagues from the affected branch into another local branch, so that customers can see a friendly face when they come in. We have managed that really well over the past few years. Out of our closures since 2013, only three people have been displaced, and that was because they wished to leave the organisation. Customers see a friendly face when they go to the nearby Santander branch, but their banking can be done locally in the post office with minimal change.

Colin Beattie: That is fine, but are there any examples of alternative models or options being made use of? Is it just a matter of closure or not?

Robin Bulloch: I run 1,100 branches of Lloyds and Bank of Scotland, and there are many different formats. For about half the branches, there are different opening hours—different times of day or days of the week. Part of our strategy is to adapt our footprint according to the demand from customers. I will give a couple of examples of that. Where we have closed branches, we have brought in mobile branches, although there is Post Office provision—every Bank of Scotland branch that we have closed had a post office nearby. There are also micro branches, which are largely automated but have colleagues present to support with the advice activity that we talked about earlier. We flex our proposition according to demand.

Colin Beattie: Mobile branches have been criticised for their lack of accessibility and sometimes irregular timings. In my constituency, mobile banks that used to come for 30 minutes now come for 15 minutes, so time slots are very narrow. There is also a question of security for people such as those with a small business who want to deposit cash. Mobile branches are a second-class alternative. Have other options been

tried? So far, the options seem to be post offices and mobile banks.

Simon Watson: The Royal Bank of Scotland has been serving communities with mobile banks for more than 72 years, and many of those communities have never had a branch. Our customers like mobile banks. Some of the stops are for five minutes because we stop at the homes or businesses of individuals. The entire timetable is built around our listening to what our customers want in parts of Scotland that would, otherwise, be hard to serve. That is one aspect of how banking has flexed over many decades to serve Scotland.

In addition, we have added more bankers on the phone, and we now have a team of senior personal bankers who can speak to customers well outside branch hours. We have video banking, and we have a banker on a plane that serves three islands in the northern isles. We have introduced flex and a breadth of provision.

There are many more options now than there were even five years ago for how people can do their everyday banking, excluding digital. If people want a physical service point, there are many more ways in which they can do their banking in Scotland—certainly through the Royal Bank of Scotland—than there were a few years ago. It is not a case of branch closure, the mobile branch van or nothing.

Carol Anderson: The only thing to add is that we have a footprint in Scotland whereby more than 25 per cent of branches have flexible hours. We have tried to tailor what we offer to our customers. For example, we have branches in Alford and Aboyne that are open half a week each so that we can remain and serve the customers in those communities. We continue to look at that provision, but it is led by customer behaviour and demand. We will try our best to keep tailoring it.

Colin Beattie: There does not seem to be a lot of innovation in the closure of branches, but I want to focus on one particular issue.

Small businesses say that about 85 per cent of their transactions are in cash, so they obviously need to access banking services. In 2016, 44 per cent of the £15.4 billion-worth of consumer payments that were made were cash payments. Due to the nature of their businesses, small business owners need to be able to deposit their cash, but they are now faced with problems. Post offices are somewhat inadequate in that regard, as all sorts of arrangements have to be made in advance if more than £2,000 is to be deposited. Small business owners have to travel quite a distance to deposit their money, although I will not use the apocryphal tale of the Royal Bank of Scotland branch in the isles closing down and the

guy taking about 15 hours to get to his bank to deposit cash.

In my constituency, when the Dalkeith branch of the Clydesdale bank closed, its small business customers suddenly had to travel to Musselburgh or other branches around there. In a small business such as a retail shop, there might only be the owner and one other person running it, so, if one of them has to vanish for an hour to deposit cash, that is a long time, especially if they arrive at the branch and there is a queue, which, anecdotally, we are told happens. The shopkeeper is faced with the security risk of holding more cash on their premises for longer periods as well as the risk of going to deposit that cash. How are the banks tackling that?

Do you recognise that, for small businesses, 85 per cent of transactions are in cash? How are you accommodating those people, given the limitations of the Post Office?

Susan Allen: Santander has a long history with the Post Office, going back to the Alliance & Leicester and Girobank. In our service for small businesses around the UK, cash is paid in at the post office. We have worked really closely with the Post Office to deliver a good service to our customers.

Obviously, every Post Office branch is different, as every bank branch is different, so customers will have different experiences. However, by and large, we have been very satisfied with the service that has been provided to our customers. When we close a branch of Santander, there is absolutely no change for our small business customers, because they have always paid in at the post office and we have made arrangements for that to happen.

Gavin Opperman: We all agree that the last measure that the bank wants to take is the closure of a branch. That goes without saying. However, when that comes into play, one looks at the customers that the branch services and at the small business customers more specifically. There are alternative measures, as my colleague has mentioned, such as using the Post Office. G4S has introduced a new cash depositing capability. People are starting to take a different approach whereby they deposit their cash in safes on their own premises. There are some innovative and creative ways in which people are starting to deposit and use cash.

The most important role that we play in that is in ensuring that there is training and education and that we solve the problem for specific customers. That is why we notify customers far in advance of closures and get into discussions with them. In the case of small businesses, we use our relationship managers to engage with customers and have

quality discussions about how to resolve issues. If there are customer-specific issues that have not been resolved, we engage with them and have a discussion to address the cash-depositing shortages that they might be experiencing.

Colin Beattie: That sounds fine, but the evidence that we are receiving is that the banks are not responding to the needs of small businesses and that small businesses are having difficulties. How can you alleviate those difficulties?

Simon Watson: At the core of the issue is the fact that cash is now used in a minority of transactions—things are changing incredibly quickly. A branch closure is never an easy decision. If it is happening, we give our business customers a named contact, and we proactively call them to make sure that we are leaving them with an arrangement that suits them. We try to do that in every circumstance, and we try to ensure that the arrangement is absolutely cost neutral. Our business customers should not incur any more costs as a result.

A business owner wants to spend the majority of their time running their business, not running to and from the bank, so we work with them to find the best way for them to run their business, including by giving them free access to a contactless terminal so that they can reduce their reliance on cash. That is how we support businesses to continue to be successful.

When businesses in certain sectors use less cash, their takings tend to go up. There is an uplift in their takings of between 7 and 10 per cent when they start to take contactless payments, so there is a benefit to business as well through our supporting them. We would not want to leave anyone unable to focus on their primary goal, which is to run their business well for their customers.

Colin Beattie: You say that, if businesses get contactless terminals, they get extra business. However, a lot of small businesses are in less wealthy areas, which is reflected in the volume of cash transactions and the difficulties that small businesses have in dealing with that. About 85 per cent of small business transactions are in cash, which is a huge figure when we think about small businesses handling cash and the demand to be able to deposit money safely. How are you responding to that? How are you supporting your customers?

Robin Bulloch: I have heard previously at this committee the assertion that cash is dead, but it is absolutely not dead. It is perhaps dying slowly, but I understand that you have received a lot of representations from small businesses that use cash and I do not dispute the 85 per cent figure.

We believe that the Post Office is a very good solution, and one of our main competitors uses it as a cornerstone of its business proposition. However, the Post Office has 1,400 outlets across Scotland, giving it arguably the biggest distribution of any supporter of organisations that need banking facilities. The Post Office has talked about the level of investment that it has made. As I said, we have a commercial arrangement with the Post Office, and there is an expectation that it will benefit from the arrangements that it has made with the banks and invest in its proposition.

I do not wish to repeat what has been said, but we also provide mobile branches in a number of locations and there are alternatives such as cardless and courier services. We talk to many businesses about using courier services, and some of them find that approach beneficial for the reasons that Colin Beattie spoke of—security and the ability to remain within the business and not have to go to the local branch.

We consider our branch closures very carefully, and those are the alternatives that we consider for businesses in the local areas.

10:00

The Convener: We will move on to questions from Jamie Halcro Johnston.

Jamie Halcro Johnston (Highlands and Islands) (Con): I am sorry that I was a little late, convener.

During the inquiry, we have heard from a number of councils and community groups that have offered banks space in which to operate, but our witnesses were not aware of any instances of that offer having been taken up. One of the main reasons for that is to do with security. Do you know of any instances of that approach having been used as an alternative? If not, might you consider that for your businesses?

Simon Watson: A number of discussions are running about the use of premises. If I interpret your question correctly, you are asking whether branches could be repurposed for a different use in the community.

Jamie Halcro Johnston: No—I am talking about councils and other groups providing spaces in which banks could provide services in their communities.

Simon Watson: We have created the role of community banker, and we work in partnership with local communities to find where a community banker can best be housed. That individual may be based in a library or sometimes in sheltered housing to serve different customer groups. There is evidence that we are changing the banking

model to provide services from different locations that might not be branches.

Jamie Halcro Johnston: Are those services more about advice and guidance than about banking for small businesses or consumers?

Simon Watson: That is right—they are predominantly to do with guidance and support.

Jamie Halcro Johnston: I am asking about the provision of a facility for depositing cash and so on. Does anyone have any experience of that?

Gavin Opperman: Eighty to 90 per cent of the transactions that we currently do through branches can be done through the Post Office, which has a greater reach. Rather than expand into a different network to provide that service, we would prefer to work as an industry, with UK Finance, to consider strategically where we can work more closely with the Post Office to close the gap even more. Engagement in an advisory capacity that is non-cash related continues at remote sites. However, specifically for cash transactions, we will still use the Post Office and the likes of G4S, as we explained earlier.

Susan Allen: I agree. As I said, we have worked closely with the Post Office for a number of years. We have good ways of working with it and we have invested in technology—as has the Post Office—to enable it to serve our customers well. We would generally provide something locally through the 11,500 post offices across the UK.

When we make the difficult decision to close a branch, we give as much notice as possible to our customers and we also work closely with the local post office. We have lots of examples of that. In Lockerbie, for example, the postmistress, Karen, ran some sessions in the branches. We work with our customers, too, particularly the more vulnerable ones. Our branch staff walk with the customers to the post office to show them how to access the services there and to ensure that they are comfortable with that. We ensure that the service can be provided to customers and that the customers are comfortable with the service that they will be able to access. That is our preferred route, as Gavin Opperman said.

Gavin Opperman: Every branch that we have closed in the past five years is within walking distance of a post office.

Jamie Halcro Johnston: My next question is on the idea of financial hubs, whereby multiple banks that offer services are brought together. That has been raised by a number of people who have given evidence to the inquiry.

I am hearing the panel suggest that the post office provides that role. We have heard evidence from others that the post office does not and

cannot do that, because it can take too long to put in cash. We know that post office hours can be unreliable and that, in remote and rural areas, post offices are being lost as well. Taking those issues into account, Gavin Opperman, do you think that the post office will be a suitable alternative in a lot of locations?

Gavin Opperman: Am I understanding the question correctly? Is it about rehousing banks in a joint space?

Jamie Halcro Johnston: Yes, that was the idea that came up—a financial hub where all the banks could utilise a shared facility. It sounds like your approach is that we do not need that and that the post office is where local businesses and individuals can pay money in and take money out. I am asking how reliable post offices will be at providing that service if they are not open as much, we are losing post offices in some areas and they do not have the security or the cash-managing facilities that a bank would have.

Simon Watson: I have spoken with many postmasters. Post offices are small businesses. In one conversation with a postmaster, I was greeted with, “Your customers are my customers.” Having post offices provide banking services gave them a real boost. It concentrates and strengthens the post office network to have it as a banking hub in a local community. If we were to try to do something separate from that, that trade would not go through post offices.

In addition to making sure that our customers are well supported in any transition to using post offices and continuing to raise awareness of what services are available through them, we also try, if a branch is closing, to give the post office the right equipment to make the banking experience there as smooth as possible for our customers. It is not a case of us saying, “Walk across the road,” and leaving the relationship there. We work with the post office to ensure that it has the right infrastructure and set-up to handle the everyday banking inquiries and types of support for our customers that it might well be called on to provide in the months following a bank branch closure.

Robin Bulloch: I have a couple of observations. Roughly 20 per cent of Lloyds Banking Group customers now use the Post Office on a not-infrequent basis. That figure has grown by 14 per cent in the past 12 months, so there is definitely a level of appeal. I endorse what has been said already and it is absolutely our view that post offices are a suitable alternative. We are happy to work with post offices on signposting and promoting that service more, as well as on enhancements to the proposition over time.

Jamie Halcro Johnston mentioned the potential for post office closures. Going down a different

route, to some sort of shared-service arrangement, could have an impact on the relationship that post offices have with the banks. I imagine that that relationship is very attractive to post offices, so going down that route would be a spectre hanging over that relationship.

Jamie Halcro Johnston: I take that point. Regarding the increase in use by your customers, is that business customers?

Robin Bulloch: That is in the round. Our business customers have had the relationship with the Post Office over the past 12 months. We have had the relationship with the Post Office for personal customers longer than that. I do not have the exact statistics on business customers to hand, but I am happy to provide them to the committee. The growth in the number of business customers will be greater than the growth in the number of personal customers, because it is the very early stages of the proposition for business customers.

Jamie Halcro Johnston: We have had Link representatives at the committee. As you know, Link provides ATM services. Is there any scope for a bank that is the last bank in town to provide business banking services to customers other than its own, for a fee, almost along the lines of the Link model for ATMs? Is that arrangement available, or would it be considered for straightforward business banking, such as cash deposits and the like?

Susan Allen: Santander does not do business banking deposits in our branches.

Jamie Halcro Johnston: For those that do, would you take another bank's customers' business deposits for a fee or would you exclusively service your own business customers?

Gavin Opperman: If a customer deposited moneys through our bank for another bank, there would be a fee attached. However, we would encourage the customer to open an account with us.

Jamie Halcro Johnston: I thought that you might do that.

Gavin Opperman: Yes, that is the route that we would take. We would take the deposit and encourage that relationship. The bank that was closing would account for the fact that there would be a certain loss of customers because its branch was closing and the nearest branch might be in an inconvenient place for the customer; it would accept that it would lose the relationship if there was another bank in town.

Jamie Halcro Johnston: Is it a standard operational expense that banks will take deposits from other banks' customers for a fee?

Gavin Opperman: Yes.

Jamie Halcro Johnston: That is interesting.

Carol Anderson: We see business customers open an account purely for that purpose and then they transfer the money back to whoever they banked with first. That loyalty is there and customers stay with their bank. However, we will accept deposits.

The Convener: You seemed to focus on post offices. Some might say that post offices provide a public service and at the outset you talked about being private businesses when considering the particular economics of closing branches. Some might say that you should provide the service, rather than the post offices. Do you accept that there is a public duty on you as banks and that you are not simply private enterprises?

Susan Allen: We have a responsibility to serve our customers well and we look very hard at ways to do that. The way in which our customers choose to bank is changing. We have seen a significant growth in internet mobile banking—we take on about 1,000 new mobile banking customers every day and many of those people only want mobile banking. Our customers want to bank with us in different ways. However, we must continue to support all our customers. We look at how we provide services using telephone, video, online mobile and branches.

We are investing in branches. For all of us, branch banking remains an important part of how we serve our customers. Santander has invested some £13 million in refurbishing branches to provide advice hubs and better services for customers. Branches are very important and we take our responsibility to our customers very seriously.

The Convener: You are underwritten by the financial services compensation scheme, which is ultimately the UK taxpayer—as we saw in the 2008 banking crisis. Do you accept that you have responsibility beyond that of a private enterprise that is not underwritten in that way?

Gavin Opperman: As a bank that has been around for more than 100 years, we have customers who have supported the bank and communities and customers who we have supported, so we definitely look at it from a bank perspective and say that there is a wider responsibility. That wider responsibility is not only for the geography but for our remit across Scotland. We take a bank-wide perspective and say that there is a broader responsibility. That is why when we go through a closure, there is a very rigorous process, because we take that responsibility as a bank.

Simon Watson: The health of banks is dependent on and linked to the health of the communities in the economy that they serve. We invest in every service that we can to ensure that we are doing the best job for the immediate customers and the wider community that we serve.

I fully appreciate that our colleagues who serve in branches play a much bigger role than simply taking in and handing out cash. That role is something that people feel that they lose when a branch closes. One of the things that we are keen to grow and invest in is the idea of the community banker—the face of the bank in the local community that can do more than simply advise on everyday banking, because it can help keep people safe from scams and can be part of the local community discussion about what else is going on. I realise that banks play that role, and it is an important role, so it is certainly the case that we view our obligations and responsibilities in the widest possible context.

10:15

Robin Bulloch: I will expand on that point. Lloyds Banking Group has a stated commitment to help Britain prosper. Some of the manifestations of that are our commitments on lending to mid-market companies and small and medium-sized enterprises, and our commitment to first-time buyers. We will contribute more than £100 million through our foundation over the next three years and we employ 13,500 people in Scotland, so we look at our obligation to society in the broadest possible way.

Carol Anderson: I agree that branches are a core part of our strategy. We have 155 locations across Scotland and we will not be closing any in 2018. We are recruiting more staff to help with customer demand and to be there when our customers need us most.

Jackie Baillie (Dumbarton) (Lab): All of you were asked in advance of your appearance here today to provide the committee with information on the number of bank branches that you had in 2010 and the number that you have now. I thank Santander and TSB for providing that information, but I wonder, in the case of the other three, where that information is and whether you can tell us just now how many bank branches you had in 2010, how many you have now and what percentage closure that represents. I do not require that you answer in any particular order but, as Robin Bulloch is looking at me, I think that he has drawn the short straw.

Robin Bulloch: We had a moratorium on branch closures for a number of years. I am happy to have this verified, but I believe that the number

was 293 in 2010, and the number now is 206, so that is a 30 per cent reduction in the number of branches. I should add that that probably stands up to scrutiny reasonably well. We believe that we take a measured and gradual approach to branch closures, and have done over that time.

Simon Watson: I do not have the specific numbers, but we had a similar sized network to Bank of Scotland's and we now have just short of 100 branches in Scotland, so that would be quite a significant percentage.

Jackie Baillie: I am genuinely disappointed that you cannot provide those details, given that the committee asked for that information in advance, and you are quite senior in your organisation.

Simon Watson: I completely appreciate that. I apologise, and if I cannot get that information during this meeting, I will make sure that I get it to you immediately afterwards.

Gavin Opperman: We had 150 branches at the beginning of 2010, and at the beginning of this year we had 71.

Jackie Baillie: So that is about a 50 per cent reduction.

Gavin Opperman: Correct.

Jackie Baillie: I would like to focus in on RBS—sorry to single you out.

Simon Watson: No, that is fine.

Jackie Baillie: Good, because I am going to do it anyway. You said that, when a bank closes, you want to leave something behind in the community. Let me just test that with you, because you closed the branch in Alexandria, in my constituency. At the point when you closed it, we were in dialogue and you said that you would consider a mobile banking branch. More than a year later, you were still considering it, despite occasional prodding from me, and then you decided that you were not going to do that. During that period, the ATM was not working for a lot of the time. What did you leave behind in Alexandria?

Simon Watson: I am aware of the individual circumstances of that closure. We made a commitment to put a mobile bank in, but my understanding is that we struggled to house it and to find a location to serve from. Without going into specifics, that is my understanding of what happened at the time. In terms of the ATM provision, we obviously have set standards that we attempt to meet and service level agreements with the people who provide and look after our ATMs. If we have fallen short on this occasion, I am very sorry.

I am happy to continue the discussion about the specific circumstances in Alexandria. I know that we made that commitment and I am aware that it

was very difficult to deliver on it for a number of reasons. I am sorry if we did not do it as fast as we should have done, but in all the cases that I am aware of where we have been asked to look at additional provision, or to change what is available to local communities, I think that we have managed to do so. For example, in Juniper Green we were asked to respond with the addition of a mobile bank, which I know we have managed to put in. There are instances like that. We are actively involved in many discussions and we always try to deliver on our promises and commitments. If we did not do so in that place, I am very sorry.

Jackie Baillie: I can only assume that you have been misinformed, because the excuse of not having a location was dealt with when I found the bank a location that it could go to free of charge. However, I will leave you to discuss that with your colleagues later.

In Arrochar, RBS was, again, the last branch in town. You closed down the branch and left nothing behind. The community is looking to have an ATM, and you have refused that, too. Can you explain what your contribution is to Arrochar, given that you said that there would not be a situation in which there was a closure and then nothing? It felt like a closure and then nothing in Arrochar.

Simon Watson: There are any number of different ways in which we can support a community once we leave, whether that is through a community banker, through working with Link and its financial inclusion fund to get a subsidised ATM or through the mobile banks. There are circumstances in some communities that mean that it might take us longer to do that, but I am not aware of situations in which we have not been able to provide some sort of alternative. I am happy to take up the specific case of Arrochar with you, and to meet anyone from the local community who wants to talk to me directly.

Jackie Baillie: Excellent; you can be assured that we shall take you up on that offer.

The UK Government—all of us—owns 60 per cent of RBS, yet there is no seat for the UK Government on the board. Can you explain that?

Simon Watson: The holding is with UK Financial Investments, which we deal with as a shareholder of the organisation. The board structure was agreed at the point at which the finances were injected into the bank, so I do not have any particular view on the board structure.

Jackie Baillie: Have there been any discussions at any level in RBS with the UK Government or UKFI about bank branch closures?

Simon Watson: We talk to all our shareholders—UKFI is the largest—about the

strategy of the bank and what we are doing. Those discussions are constantly on-going, whether they are with the individual private shareholders whom we met in the past few weeks or with UKFI. We have the same discussion with all our shareholders.

Jackie Baillie: So UKFI would have been aware of the programme of branch closures.

Simon Watson: It would have been aware of the strategy of the bank. I am not aware of any specific discussions with shareholders relating to branch closures, because I do not have those direct discussions with our shareholders.

Jackie Baillie: But the strategy would have outlined bank closures.

Simon Watson: No. The strategy would have outlined what the bank's plans and intentions were over the next few years with regard to remaining relevant. I am not aware of any specific discussions of branch closures.

Jackie Baillie: Okay, but UKFI made no specific objection at any stage to branch closures.

Simon Watson: I have not been in any discussions with UKFI or any of our shareholders on branch closures, so I would not be able to comment on that.

Jackie Baillie: I accept that you are saying that you have not had those discussions personally, but perhaps you could find out if anyone in the organisation has had such discussions. It would be interesting to know, for the committee's purposes.

Simon Watson: I am happy to get back to you on that. The issue might have been raised with our chief executive officers in another public forum. I can provide you with that information, too, if that is the case.

Jackie Baillie: Fantastic.

Finally, you have said that 10 of the 62 threatened branches will remain open until at least the end of 2018, while you conduct independent research. Can you tell us the basis of the research and who is going to be doing it? Could you share your methodology with us? The committee would be interested in reflecting on that.

Simon Watson: Ten branches are given for review. We have appointed the independent reviewer. They are now satisfying themselves that they are looking at everything that they need to. That will inform the final contract, and we should be in a position to announce the details of that in the coming days.

Jackie Baillie: We await that with interest.

Andy Wightman (Lothian) (Green): According to the access to banking standard, you conduct what is called an impact assessment of closures. The committee inquiry's remit is to examine the impact of bank branch closures on local businesses, consumers and the Scottish economy.

I have an assessment by RBS for its branch in Linlithgow, which is closing a week tomorrow. I notice, incidentally, that only one of the regional MSPs was consulted by the bank.

The critically important point is that the assessment documents the steps that have been taken by the bank to speak to its customers about the impact on them, but there is nothing really on the impact on the wider community or the local economy. Can you confirm whether you do any analysis of the impact of the closure of a branch on the local economy?

Robin Bulloch: Allow me to explain the process that we undertake. We do a full review of the local area, which extends to all of the Bank of Scotland representation in that area. We look at bus routes between branches that we could potentially close and alternatives, and we look at the provision of Post Office services. As I said earlier, every branch that we have closed over the past four years has had a post office in close proximity. We also look at the provision of ATMs. We absolutely seek to understand how the microeconomy of the area works.

On seeking to establish the impact after we have gone, it is about how our customers will be able to access their banking, in terms of ATMs, post offices and alternative Bank of Scotland branches, and it is about the number of customers who use online banking and the number who use telephone banking. We seek to ensure that our customers have adequate provision. Those are the areas that we look at primarily.

Andy Wightman: I understand that, because that is in the impact analysis, but that is looking at customers, not at the impact on the economy. We have heard evidence that the loss of a bank branch can have a deleterious effect on other local businesses, because people do not go there any more and footfall drops in the wider economy. This is not a criticism, but you do not do any analysis of that, as such.

Gavin Opperman: Often when there is a closure there is a reinvestment. Let us take a current case as an example. We have closed one of our branches in Edinburgh, but we have built a flagship branch in Edinburgh, so we have reinvested the money back into the community. I would not say that in specific geographies all the time, but that reinvestment is put back in. It is not as if it is a dividend that is distributed back to

shareholders; it is reinvestment that aims to support communities. We often find that some of the premises that we are housed in are no longer suitable for the bank. That is where the opportunities arise. There is reinvestment back into communities, and if one looks at Scotland at large, it is fair to say that that is taken into consideration.

Andy Wightman: An RBS branch in Linlithgow is closing next week and I do not think that there is going to be any reinvestment in Linlithgow.

What is the focus of your research on the 10 branches that are to remain open until the end of 2018? Does it go beyond the steps that you would take in an impact assessment?

Simon Watson: Yes. We would look at additional circumstantial factors in and around those 10 branches. The independent reviewer also has their own criteria, over and above our decision making, on which it will base their recommendation to keep the branches or stick with the decisions that we made.

Andy Wightman: On closures in the past few years, for which you have been following the access to banking standard or protocol, do any of you have any branches where, following notification of intention to close, you received representations from customers and subsequently decided not to proceed with the closure? Are there any examples of that?

Robin Bulloch: There was one example where we delayed a closure for six months, based on the additional information that was provided during the engagement period, but no other branches have remained open.

Andy Wightman: What about the other banks?

Susan Allen: We do not have any examples of that in Scotland.

Carol Anderson: We have none.

Andy Wightman: Was the six-month delay just to deal with particular problems that customers were having?

Robin Bulloch: I should be able to tell you that. It was to do with specific circumstances and local geography that meant that the branch would support the local area temporarily if we delayed the closure of our branch. I am happy to advise the committee of the detail of that.

Andy Wightman: That was just one closure that was delayed by six months.

Robin Bulloch: Yes.

Andy Wightman: I would like to move on to the premises themselves. We have visited a number of towns across Scotland and held focus groups

with people, and we have received quite a bit of evidence that closed branch buildings are sitting there in the town unused, although maybe the ATM is still there. What, in general, is your policy relating to a closed bank building?

10:30

Simon Watson: I can explain the process that we go through at RBS. The first goal is to ensure that we get the building into the hands of a new owner as quickly as possible. Ideally, that will be somebody who will make a positive economic contribution to the community. We also open up the prospect of the community coming together through charity partners or social enterprises to see whether the branch can be turned into something that has value to the local community. That is often very difficult, because bank branches are usually designed to be bank branches.

We do not want to transfer the risk of altering the branch for a different purpose on to a group that does not have a sustainable business plan, so we also work with community groups to try to come up with such a plan. That is proving very difficult because of the costs that are sometimes involved in altering bank branches, but we work wherever we can to accommodate and make sure that the building gets into the hands of the right owners. Bank branches sometimes remain empty for a long time precisely because they are difficult buildings to change for alternative purposes.

Susan Allen: We are very conscious of the impact that an empty building has on a high street, and we try to get the buildings that we own into the hands of new owners as quickly as possible. Generally, when we have exited a building that we own, it has been occupied again within 12 months—which is still quite a period, I know. Some of our buildings are leased and it might be that the lease has ended. That is really a matter for the leaseholder; we have no involvement beyond handing back the lease.

Andy Wightman: In the interest of saving time, if you have policies on the matter, can you send them to the committee?

Robin Bulloch: We have no specific policy. In Gorebridge, we supported the local community by providing a branch to them for a temporary period—it has been more than 12 months now. In Wigtown, the right-to-buy scheme is being used and we are happy to support that. Like the branches that Susan Allen talked about, a number of our branches are leased and we return them to the leaseholder. We put the remaining branches up for sale.

Andy Wightman: Of the branches that have closed, roughly speaking what proportion have been returned to leaseholders or sold? What

proportion are now occupied and being used for something else?

Robin Bulloch: I am afraid that I do not know that information. I am happy for it to be submitted to the committee, but I do not have the detail.

Andy Wightman: The concern is that some bank buildings are sitting being an eyesore for long periods of time. Those may be isolated incidents, but it would be useful to get a broader picture, particularly as we are often talking about communities that are suffering broader economic downturns, for which the closure of a bank branch does not help. There were reports in the media a year or so ago about RBS, in particular, placing restrictions on the sale of bank buildings, including that they could not be bought or used by another financial services body. Are you familiar with those?

Simon Watson: I am not aware of that being in our current sales process. It is not something that I recognise, but I will confirm whether there is any aspect of any third-party agreements in which that is the case.

Andy Wightman: You said that when there is a bank closure you work with the community to see whether alternative uses can be made of the building. Is that systematic? Do you do that in every case?

Simon Watson: We offer that discussion in every instance.

Andy Wightman: To whom do you offer it?

Simon Watson: We offer it to whomever we might be engaging with. We have been approached by a number of groups. If, through our local directors, who take responsibility for managing the local closure programme, and through our knowledge of what is going on in the local community, we feel that there is another business or community group that we should approach, we try to be as proactive as possible in doing that. We do not want to lead the witness, but we make it clear that we are open to any discussions and will happily engage with any group to look at their plans.

Andy Wightman: It is not systematic, then. It is not a process. You do not have a list of every closure and what process has been followed to see what community interest there might be.

Simon Watson: We have a common process for all closures, and as part of that process we ensure that we engage with, entertain and support any bids from the local community.

Andy Wightman: You say “support bids”, but that is different from being proactive about it. If no one comes forward, that is not necessarily

evidence that there could not be a useful use of that building.

Simon Watson: I agree with that. I am saying that our local directors are part of, and are out in, the local communities, along with the managers of the branches that are closing, to ensure that we make it clear that if anyone is interested and would like a discussion, we are very happy to have it.

Gordon MacDonald (Edinburgh Pentlands) (SNP): On that point, when RBS closed its branch in Balerno a number of years ago and there was an approach, the people who made the approach were told to meet the full market price. There was no leeway from the bank whatsoever. Therefore I take what you have just said with a pinch of salt.

The committee has received written evidence that, by the end of this year, 368 branches will have closed across Scotland since 2015. We are being told that mobile branches are part of the answer. Can you tell me how many mobile branch vehicles each of your organisations have based in Scotland? If you do not have any, why not, if it is a viable alternative?

Simon Watson: The Royal Bank has 21 mobile banks. They cover 8,000 miles a week and serve 440 community stops. We have a number of spare vehicles as well, should one of those go off the road.

Gordon MacDonald: That is 21 based in Scotland.

Simon Watson: That is correct.

Robin Bulloch: Bank of Scotland had five and we now have 12. The five have been around for a long time; our first mobile branch was introduced a year or two after I was born—1963. We cover 108 communities.

The main service offering is that each of those mobile branches visits a location for between one and two hours on each occasion it visits, and they tend to visit between one and two times per week.

Susan Allen: We do not have any mobile branches. We have considered it when we have looked at our closures. As I said earlier, when we have closures, we look at all the services that there are for our customers nearby. It could be another Santander branch; it could be a post office.

Because of the distribution of post offices, when we have closed branches, we have been typically fortunate enough to have one very close by. We feel that, at this point in time, the Post Office is a better solution for our customers, where it has a branch available. If we were looking at a location where one was not available, we would absolutely consider a mobile branch, along with other alternatives.

Fortunately, as I said, where we have chosen to close, we have either had another Santander branch or a post office close by. We think that the Post Office provides a good service for customers.

Gavin Opperman: At Clydesdale Bank, the issue of mobile branches constantly comes on to the agenda. We do not foresee having any mobile branches in the next year. We have just had a look at them and we do not see them as an alternative. We are closing only two branches this year. If our customers demanded them, we certainly would look at that.

Carol Anderson: At TSB, we do not have any mobile banks. As I said earlier, we have no branch closures planned for 2018, and 70 per cent of our customers live within two miles of a branch. At the moment we are not considering introducing them, but that is not to say that in the future, if the situation was right, we would not consider it.

Gordon MacDonald: The rest of my questions will be for Robin Bulloch and Simon Watson on their mobile branch networks. What criteria are used to decide where a mobile branch will stop? How frequently are those routes revised?

Simon Watson: We review our routes each month. Currently, because there are branches closing, we have said that we are not planning any changes between now and the end of the year, to let the routes bed in, if you like, and allow customers to get used to using them. That also allows us to assess the demand.

The criteria are very flexible. I was on a mobile bank that travels out of Ullapool. We stop at a small collection of houses, which is sheltered housing. We serve three customers there, at their front door, as well as a petrol station up the road, which lies between two stops.

Depending on the route and our history in the local area, we try and accommodate as many customers as possible. We look at very specific customer needs as well as considering where there is broader demand. For example, we consider where we might best place a stop, which might be between two other stops where we have seen usage decline. We take into account a number of factors; we also take on individual representations from our customers. If we notice that a customer has stopped coming to a branch in a more rural area, we might offer to see whether we can serve them in a different way.

Gordon MacDonald: How long would you stop at the location for those three customers?

Simon Watson: It only takes a few minutes for us to check that they are okay and to see whether they have any banking needs on that day.

Robin Bulloch: Our approach is different. Our new branches are compliant with the Equality Act

2010 and we endeavour to provide a stable offering. We have a timetable and a set route, and the stop times are one to two hours—we try to commit to that. They are reviewed periodically to take feedback from customers and hear where they feel that there is any shortcoming in our service offering. Largely, our mindset is to try to solidify around our offering—we have no intention of changing it dramatically.

The provision of mobile branches has largely been in response to branch closures. We also accept that we have post offices in close proximity to the branches that we have closed.

Gordon MacDonald: I am aware of the recent introduction of mobile branches in my constituency, in Balerno, Currie and Juniper Green. Initially, RBS said no; for a year, you said that you would not put in mobile branches. The reason that you have introduced them is because Castle Community Bank has offered to put in a mobile branch.

The mobile branches stop for 30 minutes at each of the three locations. How many customers would you expect to serve in a 30-minute period, given that the Bank of Scotland mobile branches stop for between one and two hours at any particular spot?

Simon Watson: I was there in the past couple of weeks, and about 13 or 14 customers used the van at Juniper Green that day.

Gordon MacDonald: In half an hour?

Simon Watson: Yes. Some customers have more complicated needs than others and some people can just jump on and do a basic transaction. Although it is a 30-minute slot, the mobile bank will stay for as long as it is needed, to ensure that we serve the customers. We have some flexibility in the timetabling to allow for that.

A different number of people might turn up for the service in a given week or month. We keep a constant watch on that to ensure that we stay for the right period of time. If it is not long enough and it feels too compressed, we might lengthen the stay and if numbers are not what we thought they would be we might well choose to decrease that time or amalgamate some stops.

Gordon MacDonald: The reason for asking is that in the correspondence that you had with Jeane Freeman back in September 2017, you said:

“Where a service is consistently used by fewer than ten customers, we will review the sustainability of the branch stop”.

I am not sure what transaction could take less than three minutes, given the time that it would take the individual to get on the van, have their

inquiry or transaction dealt with and get back off the vehicle. How could you possibly serve an individual customer in less than three minutes? Are you setting up those three stops to fail?

Simon Watson: No. There is more than one person on the mobile bank.

Gordon MacDonald: There are two people: a driver and one other person.

Simon Watson: Both those people will serve customers.

Gordon MacDonald: They were not both serving at the times when I was there.

Simon Watson: When I was at Juniper Green last week, both people were serving customers and some of the transactions took just a couple of minutes.

The mobile bank has been part of the way in which the Royal Bank of Scotland has served its customers for 72 years and the feedback from customers is that they like the fact that it is reliable and is usually closer than their nearest banking alternative. The feedback on our colleagues who serve customers is good.

We do our best to accommodate any change in demand. However, we also want to ensure that we put the mobile banks where they will be of the highest value to the greatest number of people. Having said that, and as I said before, we sometimes make accommodations for individual customers.

10:45

Gordon MacDonald: Moving on to the fleet itself, how many of your vehicles have disabled access?

Simon Watson: In 2015, we reviewed the mobile banks that we ran. They used to have tailgate lifts, but our customers told us that they did not like to use them, so in response to that feedback we tried to find different ways of serving customers. The tailgate lifts were removed and we now have the option of something called MyHailo, which is a key fob for customers that enables us to come to them and serve them, either in their car or in their home. We do not have tailgate lifts on the vans, but we have spoken to all 89 customers whom we have identified as having restricted access to a van, to check whether we are meeting their needs in a way that is right for them. We have not had any negative responses and I think that most people are happy with the way it is, so we feel that we have found a way of serving everybody and making the right accommodations for everyone.

Robin Bulloch: Our seven new mobile branches are compliant with the Equality Act 2010.

The five existing ones are currently not compliant, but they will be replaced over the next three years with new mobile branches, which will all be compliant with the act.

Gordon MacDonald: Does Simon Watson think that RBS contravenes the Equality Act 2010 by not making reasonable adjustments to make its vehicles accessible? There will be people from time to time who will want to bank but have not made a special arrangement with you to use the key fob that you talked about.

Simon Watson: No. The adjustments that we have made to our service are right. We are openly looking at whether there is anything else that we could do, over and above what is already there, but I do not have further details on branch redesign or anything like that at this point. However, we have recently spoken with the Equality and Human Rights Commission about the issue, just to talk things through.

Gillian Martin (Aberdeenshire East) (SNP): I would like to turn to the access to banking standard. It was written by banks, and you self-police your compliance with it. Many of our witnesses over the period of this inquiry said that the banks fall short of the standard in some way, and there was certainly a great deal of criticism that an element that is missing is consultation prior to a decision to close a branch. Will each of you say whether you consult your customers prior to making a decision to close a branch in their community?

Carol Anderson: Under the access to banking standard, the consultation takes place after we have made the decision. We have done the assessment and taken into account all the local factors, the access, and so on, and then we reach out to MSPs—

Gillian Martin: With respect, I am aware of that. I am asking whether you consult your customers and the communities that you serve prior to making a decision.

Carol Anderson: We would consider local factors. We would not hold a consultation, but we would have looked at local factors and customer behaviour, and we would have identified vulnerable customers to whom we were going to reach out, to ensure that they had access to banking.

Gavin Opperman: Clydesdale Bank takes into account all the factors of the community and the surrounding—

Gillian Martin: But you do not consult them.

Gavin Opperman: We would have discussions with certain groups to understand their banking needs. We look at economic data and we look at data that can point us to those consultations, so

we will have a good source of information on which to make an informed decision.

Gillian Martin: So you actually contact some of your customers before you make a decision.

Gavin Opperman: We might take a sample of customers—it depends on the geography—and have a discussion with them, but not in all cases.

Susan Allen: We do not do formal consultation with customers before closures. We fully adhere to the access to banking standard, as you would expect. The other thing that we take into account in making our decisions is representations from our local teams. We involve our local teams, who speak to our customers every day, and they will give us some sense of the potential impact on the community, which is factored into our decision making. However, we do not formally consult.

Simon Watson: I echo that. I think that we take into account as many factors as possible—

Gillian Martin: I understand that, but, with respect, you do not reach out to your customers before you make a decision.

Simon Watson: We look in detail at what our customers do—where they go, how they bank and what they are banking for—and we engage with our local teams in order to get their perspective on individual branches and communities. However, there is no structured customer consultation.

Gillian Martin: Not even with your business clients in the local community? Do you not reach out to them?

Simon Watson: There is no structured customer consultation in terms of the discussion, but we look at what our customers do, where they bank and how they bank, and we then engage with the people who support our customers directly on a day-to-day basis before any decision is made.

Robin Bulloch: We do not consult formally. As has been said, it is not a requirement of the standard. We use input from local management and listen to their thought processes in relation to a branch closure.

Some of the things that I am most concerned about involve providing certainty to customers and colleagues. I would be concerned about the possibility that a pre-consultation could create a high degree of uncertainty for customers and colleagues about the possible outcome.

Gillian Martin: However, a decision that is made without consultation, by its nature, provides a degree of uncertainty. Earlier, in response to a question from one of my colleagues—I think that it was Gordon MacDonald—you told us that there are no instances in which a decision has been

overturned as a result of post-decision consultation.

Obviously, there has been a massive impact on the reputation of RBS as a result of your decisions to close many branches, some of which are the last branch in town or on an island. Do you think that a pre-consultation, prior to a decision being made, might be a good exercise from the point of view of a bank's reputation and might stem calls for a review of the access to banking standard or the fact that you are self-policing?

Simon Watson: As you heard when Professor Griggs gave evidence to this committee, there is a difficulty with regard to when consultation would start and stop—there is a practical issue there.

I also think that the approach that we take, which involves consideration of what customers are doing, how we can support them and what alternatives are available, is a sound basis on which to proceed. There is no one determining factor. We take in as many factors as we possibly can.

As you heard, all the banks that are represented here today go about things in a similar way, and it is difficult to see how a consultation would result in a different or better decision being reached.

Gillian Martin: This morning, Jackie Baillie talked about two towns that have been left without the banking access that was promised. I therefore put it to all of you that the access to banking standard has not been adhered to and is possibly not fit for purpose. Do you agree that if you cannot self-police properly you run the risk of creating a situation in which steps might have to be taken that involve a review of the standard and someone else taking on that policing role?

Susan Allen: We are already policed by the Lending Standards Board. Certainly, it has reviewed our adherence to the access to banking standard this year. We take that seriously.

We are always looking for opportunities to improve. We have had feedback to the effect that some of the language that is used in our impact assessments could be clearer, and we will take that on board. We have also ensured that more focus is given to using post offices, and that that information is given to our customers. We take the feedback on board and we will all continue to work to improve what we provide under the access to banking standard.

Gillian Martin: Will you take on board the feedback that has been received during this inquiry and the view of witnesses that banks should have an obligation to consult before a decision is made?

Simon Watson: As Susan Allen said, we have had feedback from the Lending Standards Board.

We are learning all the time from the feedback that we get from multiple sources, including this committee, the Lending Standards Board, our customers and elected representatives. We take into account all that feedback, to try to ensure that what is a difficult decision, as part of a difficult process, becomes less difficult for everyone involved and for our communities and customers. We fully accept any feedback from any source on how we can do things better.

Susan Allen: Once we have made the difficult decision to close a branch, we provide the information to our customers and do all the things that the access to banking standard requires. It is interesting that when we talk to our customers on the ground, we find that one of their biggest issues is what is going to happen to the branch staff. There is a huge amount of loyalty there. As you have already indicated, the branch staff are really important in the local community. That is why we work hard to move those colleagues to other local branches, where they are a friendly face for the customers when they go there, which is very important.

Carol Anderson: It is clear from what has been said today that none of us treats this lightly.

It could be said that we have not reversed any decisions because the correct decision was made. However, once we have made that decision, we undertake an immense amount of engagement work in the local community. We want to ensure that partners are looked after—again, we have had no compulsory redundancies, and partners have been able to welcome customers in their nearest branch or help them with using the local post office. We are committed to continuing to do that.

Gillian Martin: In a case in which you have been found to fall short of the access to banking standard—again, I come back to some of the examples that have been given by my colleagues—what recourse is there for the customer? What can they possibly do? If you are all self-policing, who can they go to to complain that the community has not been given the access to banking that it needs?

There are many farmers in my constituency, and farmers deal with cheques a lot, because they deal in vast sums of money at marts and so on, where they are given a cheque at the end of the day. However, they do not have ready access to the facilities that they need in order to cash cheques. That was not taken into consideration when bank branches in the area were closing. For example, when the Clydesdale Bank branch closed in Mintlaw, a councillor and I had to act on behalf of the community and fight to get an ATM installed there. I would say that some of the access to banking standard obligations are not

being met. Again, what recourse does a community have when you fall short of the standard?

Robin Bulloch: We would never knowingly breach the access to banking standard. We expend a huge amount of effort with a specialist team to ensure that we have fulfilled all the obligations in the standard.

Any customer can complain to us or make representation to us, and we will always consider that representation. For customers in areas in which we have closed branches, we are more than happy to discuss with them all the alternatives that are available, whether they are personal or business customers.

Gavin Opperman: As banks, we take the Lending Standards Board incredibly seriously, and we hold ourselves accountable. Our representative boards—the senior officers and executives of the bank—hold us accountable for ensuring that we adhere to the standard. If we fall short in an isolated area, we should correct that. It is more than just our moral compass that makes us do that; it is the fact that, as organisations, we have been supported by these communities for a long time.

I am pleased that Gillian Martin highlighted the issue of the ATM, because if we fall short we want to see how we can bridge that gap. Those people are equally important to us as customers as they are to you as constituents.

Gillian Martin: I was highlighting the fact that your post-decision consultation had not worked for that community, and it took two elected representatives to make representations on behalf of that community before anything happened.

I am going to hand over to my colleagues now, but what I am saying is that your post-decision consultation is not effective in all cases and the access to banking standard might need to be re-examined.

11:00

The Convener: Do you agree with the proposition that the access to banking standard might need to be re-examined?

Susan Allen: We see the access to banking standard as the baseline to which we would want to adhere. We welcome feedback, such as the feedback that we have received today, to help us to review and consider what we do. We also welcome feedback from the Lending Standards Board. I am sure that over the next few years, we will continue to refine and improve, based on the feedback from our customers and other stakeholders.

Kezia Dugdale (Lothian) (Lab): It is fair to say that, as a public relations exercise, the past few months have not been particularly pretty for the banks when it comes to closures. Do you think that the media has overegged the level of public anger, and do you think that that public anger is real?

Susan Allen: We all understand that any branch closure has an impact and can create challenges for many of our customers. I hope that you have heard today that we take that very seriously and we work really hard to try to mitigate those challenges. Whether it is a complaint from a customer or a representation in the media or from another stakeholder, we take it very seriously, so I would not sit here and say that the media has overegged it. Every complaint deserves to be taken seriously and every impact deserves serious consideration. That is exactly what we do.

Robin Bulloch: I share that view. We take very seriously representation from any source—not least the media and politicians, as well as our customers—and we seek to learn from it.

Kezia Dugdale: Would you say that the programme of bank closures is now coming to an end and that you have, collectively, had a rationalisation of your branches so that we are now in the end game? If so, what lessons have you learned from the experience? What would you not repeat if you had a chance to do it again?

Simon Watson: We have made the commitment not to review any branches in Scotland until at least 2020. Prior to the round of closures that is currently out and those that are proposed, there was a very unfortunate set of circumstances in which most banks were trying to keep up with the pace of change—a branch would close and customers would be directed to another branch only to find that that branch, too, would be closing in a short period. We have tried to give colleagues, customers and communities certainty about where branches are and the alternative banking provisions.

As I said, although branch usage has halved, the number of points or places where customers can bank has tripled. That is a big adjustment for people to get to grips with, because banking already feels very different. That will have to bed in for a while and we will have to continue to support customers and communities to get used to the changes that are taking place.

Kezia Dugdale: So is it your reflection that you might have closed more branches earlier?

Simon Watson: No. It was really unfortunate that customers were transferred from one branch that closed to another that later closed. On how that could have been done differently, I do not have the silver bullet but I appreciate the

uncertainty and pain that it caused several customers. We would never wish to repeat that.

We are fixed at the point where we are now until at least 2020. The world continues to change at a very fast pace. We think that we are striking the right balance between all the alternative ways in which to bank.

Kezia Dugdale: May I ask your colleagues to comment on that? It is important that we hear from everyone whether they think that they are at the end of their branch closure programmes.

Gavin Opperman: On your first question, the important point is that the rate of change continues ever faster and technology is changing even more rapidly and faster than human beings—it will double continuously.

My answer would be to ask what we can do more of. We can increase customer engagement and education. We can help customers to understand how technology can make life easier for us to bank. Banking is becoming simpler for many people. The new generation is asking for that. There is a split between the generations and—

Kezia Dugdale: I understand that, but I asked specifically about whether your bank is at the end of its closure programme.

Gavin Opperman: The bank will never commit to that, because it will be dictated by customer demand.

Kezia Dugdale: I have a few questions that I want to get through, but I want to hear from everyone whether they are at the end of their closure programmes.

Carol Anderson: TSB will continue to be led by the change in customer behaviour and demand. We will not force or aggressively pace that change, but will follow the customer change.

Susan Allen: Santander, similarly, follows what our customers are doing. We look at the patterns of usage, what customers demand from us and other areas in which they want us to invest. We will continue to respond to what that information tells us.

Kezia Dugdale: What about the Bank of Scotland?

Robin Bulloch: We have the same view. Society is changing, our customers are changing and we will continue to review our proposition for our customers in light of societal and consumer changes.

Kezia Dugdale: That is really helpful. We have had references to customer patterns, technology change and how society is changing, which takes us back to the changing nature of cash. We have

heard this week that people are more likely to use their debit cards than cash, and we have also heard that there will be a programme of ATM closures. Can you tell us about plans to close ATMs in your banks?

Robin Bulloch: We have no plans to close ATMs. There have been consequential ATM reductions on the back of branch closures. Bank of Scotland has 7 per cent of the total ATM estate in Scotland and we have no specific plans to close ATMs.

Simon Watson: We are not working on any plans to close ATMs.

Susan Allen: We sometimes lose ATMs when a branch is closed, but we take care to make sure that there is a Link free-to-use ATM nearby, or a post office. We are very supportive of Link and the financial inclusion programme.

Gavin Opperman: The capability of ATMs is being enhanced. We encourage customers to use the ATMs more, which is why we have things called DTMs—deposit-taking machines. People can make deposits and do a lot more banking through those machines, which can be open out of hours. That is a core capability and part of the omni-channel model for the bank.

Kezia Dugdale: Does your answer specifically mean that you have no plans to close ATMs at Clydesdale?

Gavin Opperman: We have no immediate plans. However, in response to customer demand in certain areas, we will either build ATMs or do away with them as required.

Carol Anderson: We have no plans in place for ATMs.

Kezia Dugdale: That is helpful. Of course, Link does have such plans. It predicts that up to 300 free-to-access bank machines will close from July onwards. Link has a rule that no ATM can disappear if it is more than 1km from the neighbouring one. Could you adopt that rule, if you started to close ATMs, and learn from some of the mistakes of the bank closure programme?

Simon Watson: We have made a clear commitment as part of our branch closure programme that, if a cash machine is being removed as a result of a closure and there is not a free-to-use machine within 1km, we will make sure that there is a cash machine in that community.

Susan Allen: We are part of the Link scheme.

Robin Bulloch: We are members of Link and we support the principles that have been proposed.

Carol Anderson: In all our branch closures, there has been a free-to-use ATM available to the customers.

Fulton MacGregor (Coatbridge and Chryston) (SNP): Some of the people who have given evidence to the committee and who have spoken to MSPs do not trust digital technology, which is where I feel that the closures are coming from. What are you doing to alleviate those concerns for consumers?

Susan Allen: We can do a huge amount of education. Digital technology is not for everybody; we have to acknowledge and understand that and provide services in different ways, which we do. However, there is a role for us in educating people and helping them to feel comfortable about how to use digital technology safely.

As an example, we have run scam-avoidance schools across the UK, which cover not only banking digitally but the use of digital more generally. In recent months, more than 1,000 people—customers and non-customers—from across Scotland have attended 94 of those events. Helping to educate people in that way is a really important role that we can play, as well as educating customers about the services that are available. Any of our customers can come into any of our branches and we will sit down and work with them, one to one. We will spend as much time as they need to get comfortable with using digital, if they are keen to do that.

Simon Watson: We made a commitment to have a technical expert trained and in every branch. We have community bankers who operate across 69 markets, and who are also qualified as technical experts. We have made a commitment to train and work to support 1 million customers at a bank-wide level in fraud and scams, to build people's confidence in using the technology while keeping themselves safe and secure.

The issue is really important. We have heard about the pace of change, so we take very seriously the need to ensure that people are confident and capable in how they use the technology. We try to break down some of the apparent barriers to people taking advantage of it.

Fulton MacGregor: I am glad that you mentioned community bankers. I met the community banker who is now in place in the Stepps area, which is one of the banks that is due to close—it actually closes its doors tomorrow. She was very keen to help, which impressed me, but why could a community banker not be put in place before a bank closure? If you feel that people need to move to digital services, but you accept—I think that everyone has accepted—that a large proportion of the population are not ready to do that, for a number of reasons that have

already been discussed, would it not make more sense to put a community banker in place way before any bank closure, rather than having a very energetic and capable community banker come in a few days before closure?

Simon Watson: In some cases, although not all, the community bankers were in place before closures. Sometimes that was just because we were finding the right person to perform that role. I accept that earlier is definitely better.

One reason that we give notice of six months, rather than just three months, is to give ourselves longer to get everything in place; that includes a community banker, where that is right for us in that area. However, I accept that sooner is definitely better than later.

Fulton MacGregor: Does anyone else provide services that are like community banking?

Robin Bulloch: As part of our helping Britain prosper commitment, we have 20,000 colleagues whom we call digital champions; they are skilled to quite a high level in the use of our online banking. We have an aim of supporting 2 million people in the UK with digital skills. Elements of that include protecting those people from scamming, in which they are asked for information that banks will never ask for, by making sure that people understand that. We have 1.8 million still to do out of the 2 million over the next three years.

Carol Anderson: We have what we call digital wizards in all our branches. If a branch is to close, we do digital classes with customers months before to help them. We have wi-fi and iPads in all our branches.

We follow the take five fraud awareness campaign and we are out in local communities supporting that. Our partners do a fantastic job working with vulnerable customers to help them with that.

Gavin Opperman: We are similar to the other banks, with the addition of having telephone banking post closure and post any new change. Even a normal customer who migrates can pick up the phone and get some help. If they are uncertain about security, they can phone in at any time.

Robin Bulloch: This year, we are going to introduce something that we call voice biometrics; basically, it is people using their own voice. That will ease access to telephone banking for a lot of customers over time.

Fulton MacGregor: I want to ask about the bank buildings that are left after closure, such as the one in Stepps that I mentioned. Could you consider using them as hubs for some of the services that you have mentioned? It seems that there would still be a need and doing that would give a transition. You would begin with the

decision that a bank would close because of low customer footfall—I do not necessarily accept that, because every branch that I have been in that is to close has had high footfall, but I am sure that you have your stats—and then move into a second phase of assessing how often that building would be used for the services that you have just discussed. At that point, if the community was not using the building for those services, perhaps because people had moved on to another form of banking, you would have a means of saying that the closure was justified. It seems to me that in some communities, the bank just gets closed—it is gone.

Gavin Opperman: It is disappointing to hear that, after a closure, customers feel that we are here today and gone tomorrow. Not only do we offer education about alternative channels, but there is an early stage in which all customers are notified well in advance. If we as a bank are not doing that adequately and not communicating sufficiently, there is a lesson to be learned.

There is a bit of a migration process, but given that human beings often leave things to the last minute and do not believe something until reality comes, perhaps we can learn from that and do better. I take what you have said as feedback. Having said that, we notify our customers well in advance and our relationship managers are on the ground specifically engaging with our small and medium-sized business customers. Posters are put up to notify people as they come into the branch, so customers should not feel as if the bank has just gone.

11:15

Fulton MacGregor: There is no issue with your communication. To return to earlier points that colleagues raised, it is about what the community can do about the closure. All of you have said that, apart from one example, once a decision has been made, the closures have gone through. The communication is fine—I have known about the closure in Stepps for some time, as well as those in other places—but the community feels stuck and unable to make representations.

Dean Lockhart (Mid Scotland and Fife) (Con): Good morning, panel. I return to the idea that a post office can act as a direct replacement to a bank branch that has closed. We have heard in other evidence that there are limitations to what a post office can offer: sometimes it is in a busy shop or the staff are not fully trained, and post offices do not offer mortgages or loans. What level of investment is each bank making, and what other steps are the banks taking, to upskill the post office network and ensure that post offices can act as direct replacements to bank branches that have closed?

Simon Watson: As I said, not only is the Royal Bank working with the post office teams to understand who the customers for individual branches might be, but we are supporting them with additional equipment so that the banking experience becomes more familiar to or smoother for customers. Over and above that, on the point about guidance, we are training specific post office teams in the friends against scams scheme so that our customers get the right information about keeping themselves safe and secure; we are also working on services for basic, everyday banking needs that we aim to meet. That is what we are doing in addition to the minimum contract.

Susan Allen: As soon as any closure is announced, we work closely with the local post office on services. We consider what our customers need and whether the local post office is in a position to provide that support. Some of our branch teams do that exceptionally well, but we could do more training and upskilling with the Post Office over the coming period. However, I have lots of great examples, such as those in Linlithgow and Lockerbie, of local postmasters coming into branches and working with our branch teams so that, when we talk to customers about the changes, we show up as a united team and, we hope, make the transition as seamless as possible for our customers. Nonetheless, I acknowledge that we can continue to do more and work even more closely with the Post Office.

Gavin Opperman: A comprehensive plan has been drawn up with UK Finance and we are able to continuously renew work on that. There is a journey still to be taken but we must acknowledge that there are certain capabilities that the Post Office will certainly not provide and the bank will fill that gap. Hence we have mortgage advisers who are out on the road and, over and above our digital services, we have telephone banking for people who do not feel digitally confident or perhaps do not have 3G or wi-fi coverage in certain geographies. Given that we face that challenge, we have to have phone banking and other services to substitute for digital provision.

Carol Anderson: Post offices support us and the customers very well. They are trusted outlets in local communities, and it is great to have that. There is still more that we can do with our customers and the post offices to help the relationship when branches pull out. We are still investing in branches and, with 70 per cent of our customers living within 2 miles of one of our branches, we can provide face-to-face advice when they need it as well. We are committed to doing that.

Robin Bulloch: We have been working with the other banks and the Treasury to promote the Post Office service more, so we are providing more

literature and more education in branch. At a local level, the teams work with the local post office to ensure that it is in a position to take over the customers.

Dean Lockhart asked about advice-related products such as mortgages and some of the other core banking services. We continue to have the largest branch network in Scotland and believe that we will continue to have that for some time—possibly for ever. Over and above that, the opportunity for our customers to access advice over the phone and through video capabilities is expanding all the time. Different mechanisms are in place to support our customers.

Dean Lockhart: I want to follow up with a slightly different question. Change is clearly the underlying driver of much of this and the banks do not seem to co-ordinate in relation to closing branches—there are obvious, legal and regulatory reasons why you cannot talk to one another about closing branches. Is there any scope for industry or sector co-ordination? If change is on-going and banks look at only their own profit and loss when deciding what to do, without some co-ordination we could end up with branch and ATM deserts across the country.

I am not looking for specifics, but I would like to hear some thoughts about how the sector could co-ordinate and how the banks could talk to one another in the future.

Robin Bulloch: We are mindful of competition, but I am not entirely clear that the barrier to some form of dialogue entirely relates to legal competition concerns. We compete, and we are a commercial entity. We wish to be successful in our own right and we are here for the long run. We believe that branches will continue to be an important part of our proposition—I am sure that the same is true for other banks.

We are open to any suggestions for how we could improve the overall quality of service that we give our customers, irrespective of the channel. We would be happy to consider any proposals and I suspect that competition law would not be a barrier.

Simon Watson: We have signed up to the digital charter. I think that all the banks are participating in that. There are specific areas of co-operation, such as that one, where we can meet on a common agenda and in a neutral context, and put competitive and commercial considerations behind us. That work is planned, and we are keen to do more such things.

Susan Allen: I agree. We are all very mindful of competition constraints, but we seek to work together where that is appropriate. Link is an example of where we have come together to ensure that we support financial inclusion. There is

also the work that we do with UKFI on promoting and supporting post office services for our customers.

Gavin Opperman: I agree. From a regulatory perspective, there are some areas in which we can have conversations. We have different competitive edges and markets that we play within, but there is room for dialogue and we use the forums that are in place. There are areas where we could develop that further and we would be keen to hear about those.

Carol Anderson: Based on the discussions that we have had today, there are specific topics on which it would be helpful for us to work collaboratively.

Dean Lockhart: Thank you. We would welcome your feedback on that.

Gillian Martin: I want to follow on from Fulton MacGregor's questions about confidence in online banking being a barrier to many people. It would be remiss of us not to mention the situation with TSB where online banking was not available to people. There have been quite a lot of phishing scams as a result of the issue with TSB's information technology system. I do not want to add to that nervousness, but the fact remains that many people were the victims of fraudulent activity as a result.

What have you learned from that experience? This is an opportunity to give people confidence that they can trust online banking. Other witnesses might want to pitch in to talk about what they have learned from the situation at TSB, which has added to the nervousness that Fulton MacGregor mentioned.

Carol Anderson: When a bank goes through any major IT change, it is at higher risk of fraudulent activity, which is exactly what happened. We reacted very quickly to that. We are extremely sorry for the inconvenience experienced by customers and extremely grateful for the amazing partners in our branches who reacted so well.

We will continue to learn through experience. We learned that at such times, people who have depended on the mobile service will revert back to using the branch, either of necessity or in order to seek comfort in that face-to-face situation. Fortunately, we have been able to meet that customer need.

We had to respond quickly, because the issue was on such a scale. It probably resulted in more customers' accounts being blocked than otherwise would have been the case, but that was a safeguard.

Our digital and mobile banking have returned to pre-migration levels; customers can have

confidence in that. We partnered with fraud awareness firms and telephony firms and we put out messages in national newspapers, on our intranet and so on to raise public awareness. We have thumbprint and iris recognition, which helps with security. Through all of this, we have learnt the importance of multiple channels, responding quickly and not being complacent about fraud.

Gillian Martin: You just mentioned that when those systems failed, people turned to their branch to access cash and for that sense of security. That has been a lesson for other banks as well.

The trajectory is that branches are closing. What back-up is there should anything happen? IT problems happen and will continue to happen. I would like to throw that question open to the other banks, particularly the Royal Bank of Scotland. You have had many closures. What back-stop is there for people should your IT systems fail in a way that means that they cannot access any cash?

Simon Watson: We had a significant computer issue in 2012, which impacted our customers. A lot has changed in the organisation since then. There is a difference between how customers would respond today and how they responded in 2012. The physical points of presence have tripled in the past five years—the places that people can access to do their everyday banking have gone up by a factor of 3. There is more flexibility and there are more ways of doing banking today than there were then.

When there is a problem such as the outage that TSB experienced, I think that we all feel it. Nobody wins in such situations. Our job is to make sure that all our customers are confident and understand how they can continue to do their everyday banking. There are many more options today than there were five years ago.

The Convener: Do you agree, then, that we will always need cash? Like many people, when I grew up, there was no internet; I now do internet banking but I also use cash.

The problem is that when internet banking fails or we cannot access it for whatever reason, we all have to fall back on cash. Do you agree that there must always be provision for that on whatever basis so that people are not left simply unable to buy things?

Robin Bulloch: I believe that that is the case. It is not our intention to not provide access to cash for our customers as a result of branch closures. You will have heard a million statistics about what is happening to cash. There is definitely less usage of cash for payments and that reduction is projected to increase, but for as long as anybody in this room is going to be concerned about it, cash will be a part of society.

Susan Allen: Although we have all made some changes, from our perspective, branches certainly remain a really important part of our proposition. We have invested in telephone banking and in video facilities but there are times when people want to see somebody face to face, and we recognise that.

The Convener: Do the rest of you agree with the proposition that we will always need cash?

Simon Watson: Yes—for the timeframe that I can foresee, that is certainly true. It is also true that today, seven out of 10 people regard the bank as something that they carry around in their pocket. That attitude is only going to increase but cash will always be an important back-stop, at least for the medium term.

Gavin Opperman: The question is very important because there are parts of banking that are becoming cashless. You have to transact digitally—they simply will not accept cash.

You ask whether cash will always be required. If you shop online, on Amazon or whatever, you cannot use cash—you have to make a digital payment. Some transactions still require cash, and that will continue to be the case for the foreseeable future. However, that will change and transactions will start to migrate even more to a cashless environment—not just tap-and-go but mobile, hands-free transactions.

Carol Anderson: Yes, I agree that cash will be around but I think that we have to be mindful of the pace of change and how customers' behaviour changes; we must follow that as well.

The Convener: I thank you all for coming today. We now move into private session.

11:29

Meeting continued in private until 12:43.

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