

# Access to Banking

October 2019



The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

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# Access to Banking

October 2019



# About the Committee

The Committee was established on 28 June 2016. Its remit can be found at: [www.assembly.wales/SeneddEIS](http://www.assembly.wales/SeneddEIS)

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## Committee Chair:



**Russell George AM**  
Welsh Conservatives  
Montgomeryshire

## Current Committee membership:



**Mohammad Asghar AM**  
Welsh Conservatives  
South Wales East



**Hefin David AM**  
Welsh Labour  
Caerphilly



**Vikki Howells AM**  
Welsh Labour  
Cynon Valley



**Bethan Sayed AM**  
Plaid Cymru  
South Wales West



**Joyce Watson AM**  
Welsh Labour  
Mid and West Wales

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The following Member was also a member of the Committee during this inquiry.



**Jack Sargeant AM**  
Welsh Labour  
Alyn and Deeside

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## Chair's foreword

The loss of banks from our high streets is not a new concern, but as the scale of closures continues to escalate at an alarming rate it is important to fully understand the impact in Wales. The 874 responses to our online survey confirmed that access to banking is a huge issue for individuals and businesses in every part of Wales. We want to make sure enough is being done, and with sufficient urgency, before it is too late. Once vital banking infrastructure is gone it will be very difficult to bring it back. The claim by the big banks that Post Offices can fill the gap is not substantiated by the evidence, and the social and economic impact of branch closures is far-reaching.

The Committee's earlier work on town centre regeneration highlighted the impact of bank branch closures on the vitality of the high street generally, and how it is changing. Those still invested in the high street - such as building societies - are changing the way they engage with customers and communities to try to keep the high street alive, but we should not underestimate the challenges.

The Chair of the Independent Access to Cash Review<sup>1</sup>, Natalie Ceeney, warned in June this year that we must not "sleepwalk into a cashless society", because it is clear this will have the greatest impact on the most vulnerable and deprived among us. Wales is certainly not ready to go cashless.

While many elements relevant to this issue are reserved to the UK Government, there are significant levers at Welsh Government's disposal. We also wanted to explore the First Minister's ambitious manifesto commitment to introduce a community bank in Wales by the end of this Assembly term. The Committee heard a lot of concerns about the feasibility of the community banking proposal from Banc Cambria and its potential impact on credit unions, and other collaborative ideas were presented. As many of us change the way we bank and manage our money, are there other, better ways to help those being left behind?

This is a complex area and our inquiry was only able to scratch the surface. But there is a clear role for government and regulators to address the problems and we must see a greater sense of urgency. It is vital that Welsh Government represents the voices of Welsh consumers at UK level. We welcome initiatives such as the Joint Authorities Cash Strategy Group set up by HM Treasury, and the work of LINK, the Post Office and Credit Unions to improve access to the services people

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<sup>1</sup> [www.accesstocash.org.uk/](http://www.accesstocash.org.uk/)



need. Where the market is failing people, strong leadership is needed to find solutions.

Russell George AM

Chair, Economy, Infrastructure and Skills Committee



## Recommendations

**Recommendation 1.** The Welsh Government must prioritise its engagement with the Joint Authorities Cash Strategy Group (JACS) and ensuring that the specific needs of Wales are represented and reflected in the actions taken to protect and improve access to cash. .... Page 22

**Recommendation 2.** The Welsh Government must continue to work with LINK and the regulators on efforts to strengthen and support the existing free-to-use ATM network, and ensure that coverage is where it is needed most. .... Page 22

**Recommendation 3.** The Welsh Government should explore how regional hubs, and cooperation and collaboration between different agencies can improve the access to cash in Welsh communities (recognising that cash-handling is an expensive business). .... Page 22

**Recommendation 4.** The Welsh Government must work with local government to ensure that local development plans address any barriers to maintaining the cash infrastructure, for example by balancing heritage conservation measures with the need to maintain ATM access in rural areas. .... Page 22

**Recommendation 5.** The Welsh Government should update the Committee on how its plans to amend the Consolidated Use Classes Order and permitted development rights will take account of the need to protect and maintain banking infrastructure in Welsh communities. .... Page 22

**Recommendation 6.** The UK Government and the JACS group should review whether the Access to Banking Standard is sufficiently robust to address the impact of bank closures on vulnerable people, SMEs and local communities, or whether regulatory or other mitigating action is needed. .... Page 27

**Recommendation 7.** The Welsh Government should review its support for the Post Office Network and explore with the UK Government and Post Office Ltd how to support efforts to expand the cash-in-out and other services it can offer, and to raise public awareness of its banking services across Wales. .... Page 37

**Recommendation 8.** The Welsh Government should properly map the gaps in banking services overall - access to banks, Post Offices, free-to-use ATMs and connectivity for digital banking. Based on an increased understanding of the gaps, Welsh Government should explore what more it can do to address the wellbeing impacts associated with reduced access in rural communities, e.g. investing in

transport options, partnership approaches, planning interventions and connectivity projects to improve access in the worst affected areas..... Page 37

**Recommendation 9.** The Welsh Government should continue to pursue urgently with the UK Government and Ofcom, the implementation of measures to provide adequate connectivity for digital banking across all of Wales..... Page 40

**Recommendation 10.** The Welsh Government’s support for digital inclusion should prioritise a) maintaining support for existing digital skills training, b) consulting stakeholders on how to further address barriers to older and vulnerable people safely accessing online banking, and c) providing additional support to teachers to deliver financial education within the school curriculum..... Page 45

**Recommendation 11.** Welsh Government to set out in detail how it intends to consider the impact on communities, town centres and high streets of bank closures and the loss of free-to-use ATMs in its regeneration and community wealth building activities..... Page 51

**Recommendation 12.** Welsh Government should ensure that any community banking proposal in Wales takes full account of the need to deliver bilingual banking services. .... Page 52

**Recommendation 13.** The Welsh Government should:

- Provide assurances that the due diligence process for supporting the Banc Cambria community bank included a rigorous assessment of the impact this could have on the credit union sector, and set out how it will mitigate potentially negative impacts in consultation with that sector;
- Detail its strategy for managing the ongoing risks associated with putting public money into the un-tested Community Savings Bank Association banking model, and clarify the level of future support it anticipates offering the community bank;
- Confirm the timescales for delivering a community bank for Wales; and
- Confirm whether it is confident the Banc Cambria proposal will meet the evidenced desire for physical face-to-face banking services for elderly, disabled and vulnerable customers. .... Page65

**Recommendation 14.** The Welsh Government should actively pursue other collaborative ideas for delivery of banking services, including through partnership arrangements, alongside its support for the Banc Cambria community banking model. Its criteria for supporting proposals to improve access to banking services

should have a strong emphasis on guaranteeing greater financial inclusion.

.....Page 67

## 1. Overview

The inquiry gathered information about the social and economic impact of bank closures in Wales from consultation, surveys and case studies. The largest “high street” banks declined to give oral evidence, but the Co-operative Bank, Principality Building Society, Nationwide Building Society, UK Finance and the regulators all met with the Committee.

### Terms of Reference

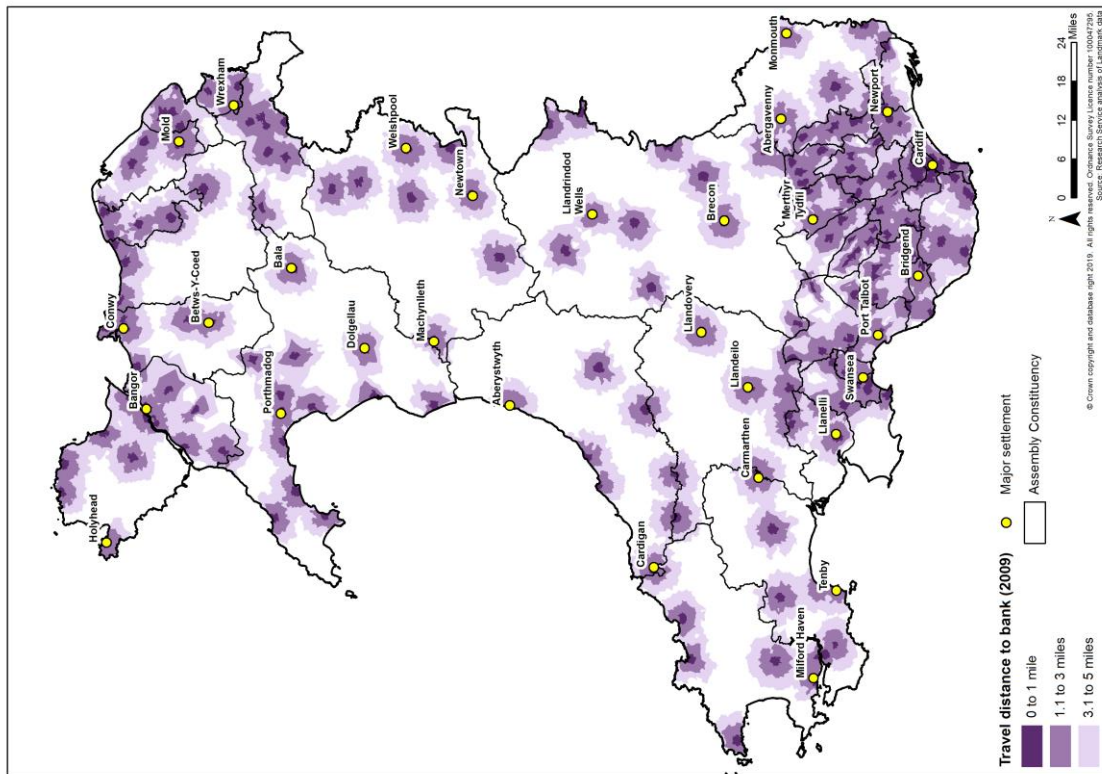
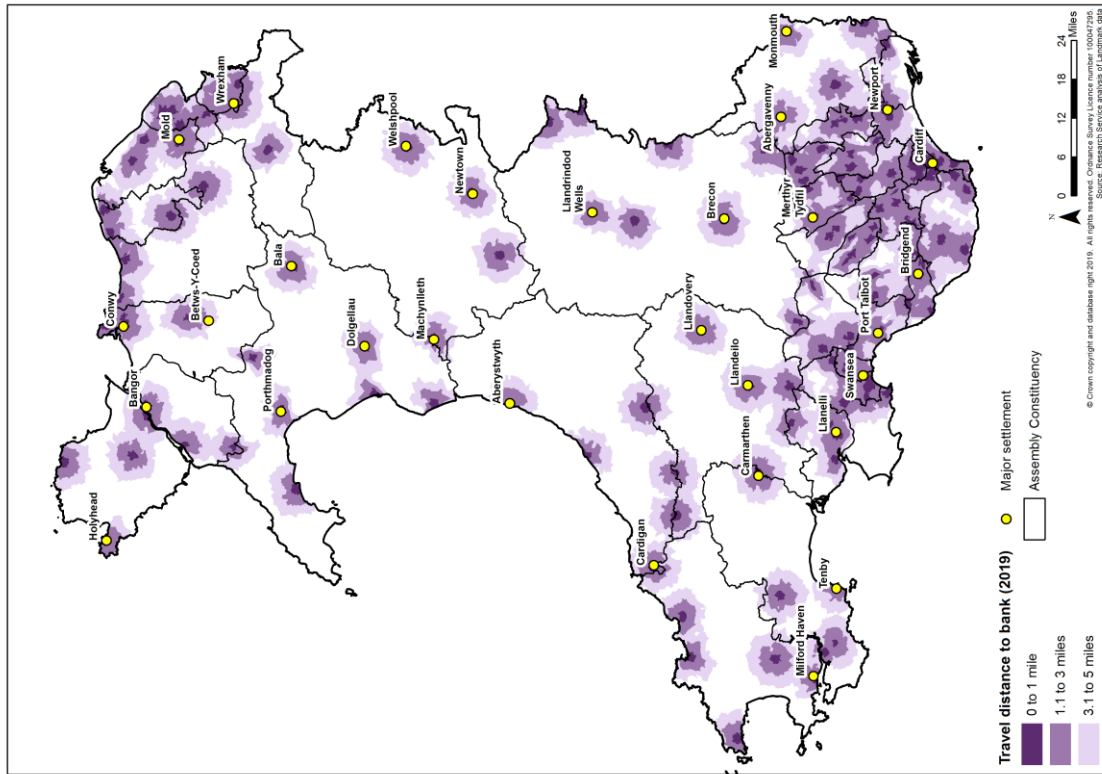
**1.** The inquiry examined the impact of bank branch closures in Wales on local businesses, consumers and the Welsh economy and explored what steps could be taken to address any issues identified. The Committee looked at:

- The current position regarding access to banking services in Wales, to include issues relating to financial inclusion and digital inclusion;
- The variety of ways in which branch closures and access to free ATMs can affect local communities (for instance the impacts from a business, tourism, social, demographic and regeneration perspective); and
- To understand the potential process, benefits and challenges involved with establishing a community bank with multiple branches in Wales.

**2.** The Committee found overwhelming evidence of the negative impact of bank closures and reduction in free-to-use ATMs in Wales. Survey results highlighted the impact on individuals, communities and businesses: 87% of personal banking customers had been impacted by closures, and 78% of business banking customers. Access to cash withdrawal facilities as a result of bank closures was a concern for 50% of respondents. All parts of Wales are affected, but the problem is particularly acute in more rural areas, and for older and disabled people. It is also having a significant impact on small and medium-sized enterprises (SMEs). In 2018, 94.9% of enterprises in Wales were micro-businesses employing less than 10 people.<sup>2</sup> Whichever way you look at it, Wales is doubly disadvantaged.

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<sup>2</sup> Welsh Government Statistical Bulletin - Regional economic & labour market profiles - July 2019



3. Banking is a reserved matter, but the Welsh Government has some policy levers (for example in planning policy, financial education and support for alternatives to high street banks) and the Committee believes it should also prioritise engaging with regulators and the UK Government to exert influence.

**4.** Branch closures are a commercial decision but there is widespread scepticism about whether voluntary standards are adequate. Although the Committee took evidence from UK Finance, which represents the UK banking sector, the otherwise limited engagement by the leading banks was telling. UK Finance considered that “no customer should be left behind through digitisation”<sup>3</sup>, but clearly saw increased use of technology as the driver for the “re-sizing” of the bank branch structure and ATM infrastructure.<sup>4</sup> It also pointed to the decline in customers using banks to access cash, and the fact that bank branches have “a very high fixed cost base”.<sup>5</sup>

**5.** The Cooperative Bank, which was the only “high street bank” to agree to give evidence to the Committee, said it has reduced its high street presence in Wales from 17 branches in 2013 to just 4 branches in 2019, located in South East Wales “where we’ve got approximately 67 per cent of our customer base”.<sup>6</sup> Chris Larmer of Cooperative Bank said that although closure is “not a decision we take lightly”<sup>7</sup>, and is made on a case-by-case basis, it is driven by the “significant reduction” in branch usage due to customers’ increased use of digital services. On branch usage he said that “some of them were as low as 200 transactions per week”.<sup>8</sup> When challenged on the bank’s commitment to its customers, he pointed to the bank’s strong engagement with the local community and partnership with Citizens Advice to support vulnerable customers and promote digital inclusion.

**6.** Not all financial institutions are deserting the high street. Regulatory changes separating retail and investment banking, and a squeeze on profit margins, have undoubtedly had an impact, but Nationwide, a building society which offers a current account, made a public commitment in March 2019 that every town or city with a branch will still have one in May 2021. It is committed to spending £350 million over five years to ensure its branches remain relevant to the needs of people. And while nearly half of all branches of the “big four” high street banks have closed in the past 10 years in Wales, during the same period the Principality Building Society has opened 2 branches and 12 agencies, is embedded in local communities and says it “continues to see an increase in customer numbers when nearby bank branches have closed”.<sup>9</sup>

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<sup>3</sup> Para 8, Economy, Infrastructure and Skills Committee, 19 June 2019

<sup>4</sup> Para 8, Economy, Infrastructure and Skills Committee, 19 June 2019

<sup>5</sup> Para 49, Economy, Infrastructure and Skills Committee, 19 June 2019

<sup>6</sup> Para 13, Economy, Infrastructure and Skills Committee, 19 June 2019

<sup>7</sup> Para 26, Economy, Infrastructure and Skills Committee, 19 June 2019

<sup>8</sup> Para 27, Economy, Infrastructure and Skills Committee, 19 June 2019

<sup>9</sup> Written evidence

**7.** Although the banking sector did not deny that closures are having an impact on customers, the message seemed to be that this is an inevitable result of digitisation, and their focus is on supporting the increased use of digital services by all customers. This approach does not seem to recognise the reality of large numbers of people who will continue to be digitally excluded, an issue explored later in this report.

**8.** Many view access to banking as an essential public service, and there are also differing views about whether bank branch closures are inevitable in an increasingly digital society. Unite the Union pointed out:

“What is different in Wales to the rest of the UK is the commitment of the Welsh Building Societies to maintain, and in some cases increase, their high street presence. Both Principality Building Society and Monmouthshire Building Society have confirmed to Unite that there has been a significant spike in business since the high street banks have withdrawn from some of the smaller towns in Wales, and they have no intention of following the same path of closures. This absolutely flies in the face [of] the Banks rationale for the raft of closures over the last few years.”<sup>10</sup>

**9.** Alongside branch closures, the inquiry also examined the impact of declining access to free-to-use (FTU) ATMs. LINK, the not-for-profit organisation which manages the LINK ATM network, says that although cash use has declined rapidly in the last decade and this is expected to continue, free access to cash for consumers is a “vital national service”. LINK said over 47% of consumers still rely on cash and for 17% a cashless society would present real challenges. The consumer organisation Which? told the Committee it was concerned that the rate at which access to cash is declining is “at odds with consumer attitudes and demand”, and is being driven by industry. It warned that Welsh communities could be stripped of their choice to use cash before they are ready and if cash disappears, re-introducing it can be complex. Which? points to the experience of Sweden, which has moved towards a cashless society and lost much of its cash infrastructure. The Swedish central bank is now involved in contingency planning to improve resilience to cyber attack, and to manage a situation where digital payments are controlled by a small number of commercial players.<sup>11</sup>

**10.** Leadership is clearly needed in an area of the economy where the market has failed; and this issue is urgent - once branches have gone and banking

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<sup>10</sup> Written evidence

<sup>11</sup> [www.accesstocash.org.uk/media/1087/final-report-final-web.pdf](http://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf)



infrastructure is removed it is too late. Evidence shows that current alternatives to bank branches cannot fill the gap - there is a limit to the services offered by the Post Office and credit unions, and barriers to online banking that mean it cannot be the only long-term solution.

**11.** The Committee looked at whether a new community bank for Wales, a manifesto commitment of the First Minister, is the answer. While the rationale for community banks is convincing, and Welsh Government supports the policy imperative and public purpose, evidence about its feasibility was not conclusive: the evidence the Committee received pointed to potential problems with high costs, timescales, capitalisation, trust issues, affordability for customers, and investment risk. Welsh credit unions already offer vital banking services to those who would otherwise be financially excluded, and there is scope for more support to be given to both the credit unions and Post Office network to expand their offer, and to explore collaborative ways to safeguard banking services.

### Evidence-gathering

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**12.** The Committee received over 30 responses to its call for written evidence<sup>12</sup>. An online survey also ran throughout May, with 874 responses. As well as conducting a survey, the Citizen Engagement team held face to face focus groups with community groups in areas that have seen the closure of their last bank. This was to ensure that the views of those who may be digitally excluded from taking part in the survey were also captured. The focus groups involved 53 citizens in Llanwrtyd Wells, Ceredigion, Llanfyllin and Anglesey. Participants included senior citizens, people with a disability, support workers and mothers with young children. The Committee is very grateful to Llanfyllin Lunch club, Llanwrtyd Wells Community Transport scheme, Ceredigion Disability Forum and Anglesey Mother and Baby group for giving their time to contribute to this inquiry. The full results of the survey and focus group work can be found alongside other written evidence.<sup>13</sup>

**13.** The Committee is also grateful to staff at the Principality and Nationwide building societies in Cardiff, who were visited on 5 June 2019. It was important to seek the views of financial organisations that have maintained their commitment to offering services on the high street and investing in local communities in Wales. Oral evidence sessions were then held in the Senedd on 13 June, 19 June, 27 June and 3 July. A full list of witnesses can be found at Annex A.

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<sup>12</sup> [www.senedd.assembly.wales/mgConsultationDisplay.aspx?id=354](http://www.senedd.assembly.wales/mgConsultationDisplay.aspx?id=354)

<sup>13</sup> [www.senedd.assembly.wales/mgConsultationDisplay.aspx?id=354](http://www.senedd.assembly.wales/mgConsultationDisplay.aspx?id=354)

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## 2. Access to Cash

**14.** Despite the rise in digital banking services and declining use of cash, the UK Government recognises that cash “remains a dominant form of paying for goods for many people across the country”. It estimates that “around 2.2 million people in the UK are still reliant on it, with the elderly, vulnerable and those in rural communities likely to be hardest hit by a decline”.<sup>14</sup> Chris Hemsley of the Payment Systems Regulator, which oversees the ATM system in the UK, said that while general use of cash is reducing, its own research shows that “about 80 per cent of people still use cash every week”.<sup>15</sup> Which? research showed that in 2018, 78% of Welsh people used cash frequently (at least 1-2 times a week), and only 2% said they rarely use it. In the previous 3 months, almost half of Welsh consumers (48%) had experienced a time when they could only pay for something with cash.<sup>16</sup>

**15.** Which? UK-wide research found that the use of cash is high across the income groups, so it is not just people on low incomes who use cash frequently. More retired people frequently use cash, at least one or two times a week (80%), for those over 40 it is 79%, and for 18-39 year olds it is still 63%. Thomas Docherty, Head of Public Affairs Nations & Regions for the consumer organisation, told the Committee:

“...even [UK Finance] project that, towards the end of the next decade, cash will still be the second most frequently used form of payment in the UK by consumers. Therefore, it’s absolutely essential that consumers, the customers, are able to access without charge their cash and that those customers who...can’t use online or phone banking, have access to a branch network.”<sup>17</sup>

**16.** Half of those responding to the Committee’s survey (50%) said that bank closures had restricted their access to ATMs or any other free cash withdrawal facilities: more than a third (36%) said they had to travel an additional half an hour to access a bank branch, and for 29% of people it was an extra hour of travel. And the decline in free-to-use (FTU) ATMs has had a disproportionate impact on the most vulnerable in Wales, including those who need regular small cash amounts for budgeting. Which? research published in September 2019 showed that deprived areas are losing free cash machines at a much faster rate than affluent

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<sup>14</sup> [www.gov.uk/government/news/cash-here-to-stay-as-government-commits-to-protecting-access](https://www.gov.uk/government/news/cash-here-to-stay-as-government-commits-to-protecting-access)

<sup>15</sup> Para 213, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>16</sup> Written evidence

<sup>17</sup> Para 31, Economy, Infrastructure and Skills Committee, 13 June 2019

ones across the UK, with analysis suggesting that Cardiff Central and Blaenau Gwent have been among the hardest hit by the move to pay-to-use machines. Between January 2018-May 2019, Wales lost 10.7% of its free-to-use ATM machines.<sup>18</sup>

“The two cash machines in our bankless town often run out of cash at a weekend.” **Survey respondent**

“My nearest bank is a 20+ mile round trip my next nearest a 60+ mile round trip, but if I want to go in the opposite direction probably a 100 mile drive over the mountains and back. I now have to make sure I take out enough cash when I get to the bank to last me a couple of weeks.” **Survey respondent**

“We were brought up in a time when Dad said ‘You don’t buy anything unless you pay for it’...and all I deal with is cash.. I hardly ever deal with a card because I can’t see the money going.” **Participant, Llanfyllin**

**17.** LINK is a not-for-profit organisation which manages the UK’s largest ATM network. Its stated objective is to “maintain the current broad geographical coverage of free access to cash in the UK for as long as consumers need free cash access”, and LINK believes that “access to cash for free for consumers is a vital national service”.<sup>19</sup>

**18.** LINK pointed to the rapid decline in cash use: “10 years ago, cash accounted for 6 out of 10 consumer payments. Today it is 3 out of 10. In ten years’ time, it will be 1 of 10”. It says that this major change in consumer behaviour means that the supporting infrastructure including ATMs will have to adapt, and shares the concerns expressed by Which? about the need for action:

“It is not sustainable to sleepwalk into this level of change without planning for it. The lessons from other countries who are more advanced in their moves to digital is that the UK should plan for this change rather than drift into it and risk leaving some consumers behind.”<sup>20</sup>

**19.** The Payment Systems Regulator (PSR) is the economic regulator for the payment systems industry in the UK. It regulates many of the systems that move people’s money – including LINK. The PSR says that reduced cash use has two

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<sup>18</sup> <https://press.which.co.uk/whichpressreleases/deprived-of-cash-poorer-areas-worst-hit-by-rapid-move-to-fee-charging-cashpoints/>

<sup>19</sup> Written evidence

<sup>20</sup> Written evidence

important impacts in particular. Firstly it means that the costs of providing and operating the current network of FTU ATMs are being spread over a smaller number of transactions, which increases the average cost per transaction. (The banks meet these costs each time their customers withdraw cash from another organisation's ATM, through LINK's interchange fee. This fee is ultimately part of the cost of providing "free" bank accounts which allow access to the LINK network of ATMs.) The reduction in cash usage also affects how businesses choose to accept payments, as the costs of handling cash and accepting electronic payments change over time. A particular issue here is the ability for businesses to deposit cash takings, and the associated cost of that.

**20.** The PSR monitors the availability of free and pay-to-use (PTU) ATMs in Wales and the UK. It said that between March 2018 and 2019 in Wales the number of cash withdrawals fell by 4%, with the number of FTU ATMs falling by 10% (from 2,517 to 2,281), and the number of PTU ATMs increasing by 1% (from 724 to 732). These percentage changes are broadly similar to the UK as a whole.

**21.** LINK's Financial Inclusion Programme (FIP) was established in 2006 to provide incentives to ATM operators to provide FTU ATMs in areas of social deprivation. The programme provides interchange fee premiums for ATMs that are deemed to be protected: the last free-to-use ATM in a deprived area is eligible for a premium of 30p, with some eligible for a "super-premium" of up to £2.75 per withdrawal to maintain profitability of the machine. In addition to that, LINK has committed to maintaining the geographical spread of ATMs and to ensure there remains a free ATM within 1km of the next free ATM. When an ATM becomes the last ATM within a 1km radius, LINK designates it "protected" and acts in line with its protected ATM policy. According to the Payment Systems Regulator, 137 FTU ATMs (22 in Wales) attained protected status between July 2018 and March 2019, bringing the total UK number of protected ATMs to 2,502 (183 in Wales).<sup>21</sup>

**22.** LINK said that it has been "taking steps to stabilise the marketplace", stating that the commercial arrangements for the interchange fee for FTU ATMs was leading to a proliferation in urban areas such as Cardiff, where there are 18 ATMs within 100m of each other and 55 within 250m, yet over 183 rural centres in Wales have only one free ATM within a kilometre of the next.<sup>22</sup> To address this problem, LINK decreased the interchange fee payable to urban ATMs and increased it for rural and remote areas. It says that since the changes, from January 2018 to May 2019 there has been a reduction in ATMs in over-provisioned urban areas, and notes that free ATM numbers are now at the same level in Wales as in 2015. It says

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<sup>21</sup> Written evidence

<sup>22</sup> Written evidence

that not all private commercial organisations welcome the change as it reduces revenues, but “the market overall has been supportive”, and “the provision of free ATMs across the UK including in Wales remains satisfactory”.<sup>23</sup> It says that it also needs to continue to protect the 183 (8%) of “protected” rural and remote Welsh ATMs with no other machine within a kilometre.

**23.** Which? stated that “while we agree with the intention behind LINK’s measures, we are concerned that due to commercial pressures from members, LINK cannot guarantee that the protections offered by the Financial Inclusion Programme will work in practice and benefit people across Welsh communities”.<sup>24</sup> Thomas Docherty of Which? told the Committee that “more needs to be done by LINK and by the regulators”.<sup>25</sup> Which? is concerned that the reduction in FTU ATMs is being driven by business interests, without sufficient consideration being given to the needs of consumers and local communities. Without further action from the UK Government, regulators and businesses, Which? says “we risk drifting towards a no cash society before we are ready, where millions of consumers still reliant on cash could be left behind”.<sup>26</sup> Without free access to cash “many people in Wales may find it harder to manage their money, make payments, and may feel vulnerable in a society where technology cannot always be relied on”.<sup>27</sup>

**24.** The FSB also points out that foreign tourists can often incur significant charges for each credit card transaction and so will prefer to use cash.<sup>28</sup> The absence of cash facilities in areas heavily dependent on tourism is impacting significantly on local businesses in Wales.

“All ATMs in Barmouth ran out of money Easter weekend, plus the shops STOP giving cashback. This must have had an effect on the little shops. Not a good impression to visitors to the area. Would you go back to an area, that you cannot buy an ice cream?”

“I am in the tourism business and hear constantly foreign tourists complaining about lack of cash machines, this means they are spending less in our towns.”

### Survey respondents

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<sup>23</sup> Written evidence

<sup>24</sup> Written evidence

<sup>25</sup> Para 22, Economy, Infrastructure and Skills Committee, 13 June 2019

<sup>26</sup> Para 22, Economy, Infrastructure and Skills Committee, 13 June 2019

<sup>27</sup> Para 22, Economy, Infrastructure and Skills Committee, 13 June 2019

<sup>28</sup> Written evidence

“The queues are ridiculous. Tourists have a problem with this, you can hear them discussing it in the queue. It won’t help the industry here.” **Focus group participant, Ceredigion**

“We get a lot of people coming in.. like walkers that come off the train. Now this weekend this is going to be big because we’ve got the vintage rally cars coming and if people haven’t brought enough money with them where are they going to go to get it? It’s just going to be very awkward.” **Focus group participant, Llanwrtyd Wells**

**25.** Adrian Greason-Walker of the Wales Tourism Alliance pointed out that the impact on tourism businesses in rural Wales is even greater than in other parts of the UK. The actual tourism spend per visitor is lower in Wales (around £25 to £30 a day as opposed to £40 to £50 a day in Scotland) and so taking away ATM access is reducing the ability to spend even more.<sup>29</sup>

**26.** Thomas Docherty of Which? also warned about economic resilience, citing how an IT failure in a prominent credit card company last year had brought the UK to within 48 hours of running out of cash, and the closure of the last ATM in Lossiemouth in June led the Scottish town to run out of cash within days. Which? cautions that the “sustainability of the UK’s cash infrastructure is at risk” as “no single organisation has overall responsibility for, and oversight of, cash”.<sup>30</sup> Similarly LINK highlighted that a “key weakness in the current arrangements” is that no organisation is responsible for ensuring cash access in a particular community, and the location of ATMs is down to individual commercial deployers and retailers. LINK said this needs addressing with regulatory support.

**27.** LINK believes that stronger overall coordination and closer cooperation between entities such as LINK and the Post Office is important. It also believes that innovation to allow the provision of cash for free at retailer’s tills, in a manner similar to that used by the Post Office, is a useful addition to the cash infrastructure and it is working with a number of organisations to develop this. According to LINK:

“ensuring that all locations, including rural and remote ones, retain free access to cash will depend on determined coordination between these various channels, supported by regulators and government. It is no longer acceptable to leave this to market forces, and commercial

<sup>29</sup> Para 219, Economy, Infrastructure and Skills Committee, 19 June 2019

<sup>30</sup> Written evidence

organisations which drive a focus on profit rather than consumer need.”<sup>31</sup>

**28.** The Independent Access to Cash Review commissioned by LINK has called for Government and regulators to step in urgently to ensure cash remains viable. Its March 2019 report recommendations included a “Guarantee to Cash Access” for all, including those in remote and rural areas, for those providing essential services to be required to allow consumers to pay by cash, and for a “more efficient, effective and resilient wholesale cash infrastructure”<sup>32</sup> to ensure that cash remains viable as its use declines.

**29.** Following the Review’s recommendations, LINK has welcomed the setting up of the new Joint Authorities Cash Strategy Group (JACS) – chaired by HM Treasury and bringing together the regulators and Bank of England – to provide comprehensive oversight of the UK’s cash system. The JACS Group terms of reference describe it as “a collaborative forum to facilitate dialogue and coordination”. Which? also welcomes the joined-up approach, saying it is “essential that they work quickly to protect people’s access to cash and to build a sustainable cash infrastructure for Wales and the rest of the UK”.<sup>33</sup>

**30.** Which? states that the JACS group should act now to stop the closure of protected ATMs and commit to review ATM provision; review the current Financial Inclusion Programme, consider what protections need to be in place to maintain cash access for consumers across the UK and publish a clear strategy and timeline for next steps by the government, regulators and Bank of England.<sup>34</sup>

**31.** On 30 August 2019 LINK announced that should a high street be threatened with the loss of its last ATM, it will step in to ensure that a free-to-use ATM is made available and paid for with funding from all the UK’s main banks and building societies if there is no nearby Post Office counter to serve that community.<sup>35</sup> The Committee welcomes this move by LINK. Which? also described the move as “hugely welcome”, although Gareth Shaw, Head of Money, Which?, went on to warn that “these measures on their own are unlikely to be enough to stem the tide of ATM closures that has left communities across the UK struggling to access cash. The government’s new access to cash strategy group must urgently explore

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<sup>31</sup> Written evidence

<sup>32</sup> [www.accesstocash.org.uk/media/1087/final-report-final-web.pdf](http://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf)

<sup>33</sup> Written evidence

<sup>34</sup> Written evidence

<sup>35</sup> [www.link.co.uk/about/news/link-access-to-cash-commitment/](http://www.link.co.uk/about/news/link-access-to-cash-commitment/)



all options – including legislation – to ensure a robust system is in place to preserve free access to cash for as long as people need it”.<sup>36</sup>

**32.** The Payment Systems Regulator is a member of the JACS group, and said that it would “also welcome the opportunity to work on this with the devolved parliaments”.<sup>37</sup>

**33.** The Committee welcomes LINK’s efforts to protect access to FTU ATMs in the most deprived areas. As the Minister for Housing and Local Government noted when giving evidence to the Committee, it can be expensive and onerous for small businesses to take on provision of an ATM, but it is vitally important to retain Wales’s cash infrastructure:

“let’s make no bones about it, once the infrastructure has gone, it’s really hard to put it back. So, once you’ve closed everything in an area, trying to put back—even the electronic means of delivering cash is really hard. So, it is about trying to preserve what we’ve got as well as trying—. If we go into the space where we’re trying to retrofit it, then we’re in real trouble, it seems to me.”<sup>38</sup>

**34.** The Minister was also asked about measures to ensure that local planning decisions did not impact negatively on ATM provision, for example balancing heritage considerations with the need for access to cash. The Minister for Housing and Local Government said that Planning Policy Wales allowed that kind of development, but that the Welsh Government was “looking again” at some of the use class Orders: “...Pubs was what was under discussion yesterday, but the last bank is another one that we are seriously looking at; whether we would make it much harder for a change of use. So, at the moment, the use class Order is very wide for that kind of retail operation, so we are considering whether we would narrow it”.<sup>39</sup>

**35.** The Committee welcomes the setting up of the JACS group to address all the issues with access to cash, but notes that it “will meet approximately every quarter”, is led by HM Treasury, and it was not clear from evidence exactly how

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<sup>36</sup> [www.which.co.uk/news/2019/08/atms-to-be-installed-in-remote-communities-as-part-of-a-new-vow-to-protect-access-to-cash/](http://www.which.co.uk/news/2019/08/atms-to-be-installed-in-remote-communities-as-part-of-a-new-vow-to-protect-access-to-cash/)

<sup>37</sup> [www.which.co.uk/news/2019/08/atms-to-be-installed-in-remote-communities-as-part-of-a-new-vow-to-protect-access-to-cash/](http://www.which.co.uk/news/2019/08/atms-to-be-installed-in-remote-communities-as-part-of-a-new-vow-to-protect-access-to-cash/)

<sup>38</sup> Para 36, Economy, Infrastructure and Skills Committee, 3 July 2019

<sup>39</sup> Para 40, Economy, Infrastructure and Skills Committee, 3 July 2019

Welsh Government is engaging with it and presenting the Welsh position, and what JACS will achieve.

**Recommendation 1.** The Welsh Government must prioritise its engagement with the Joint Authorities Cash Strategy Group (JACS) and ensuring that the specific needs of Wales are represented and reflected in the actions taken to protect and improve access to cash.

**Recommendation 2.** The Welsh Government must continue to work with LINK and the regulators on efforts to strengthen and support the existing free-to-use ATM network, and ensure that coverage is where it is needed most.

**Recommendation 3.** The Welsh Government should explore how regional hubs, and cooperation and collaboration between different agencies can improve the access to cash in Welsh communities (recognising that cash-handling is an expensive business).

**Recommendation 4.** The Welsh Government must work with local government to ensure that local development plans address any barriers to maintaining the cash infrastructure, for example by balancing heritage conservation measures with the need to maintain ATM access in rural areas.

**Recommendation 5.** The Welsh Government should update the Committee on how its plans to amend the Consolidated Use Classes Order and permitted development rights will take account of the need to protect and maintain banking infrastructure in Welsh communities.

### 3. Access to Banking Services

**36.** Bank branch closures are a problem across Wales, not just a feature of rural areas, but these more remote areas are also doubly disadvantaged due to connectivity problems. There are mobility issues for those who don't have access to their own transport - people have to factor in the cost and feasibility of travelling further to access cash. There are also other accessibility issues - banks further away may be less physically accessible, staff will not have the local knowledge to assist vulnerable or disabled customers, and Post Office services are often in un-accessible locations such as inside shops. For those with autism for example, it can be difficult accessing a new and busy environment.

"A trip to the bank used to take 15 minutes. I could park just outside, they would help me into the building and I knew the staff so they knew how to help me. Now I have to drive for an hour to my closest bank, the parking is really far away and I don't know the staff." **Focus group participant, Ceredigion**

"If you don't have your own transport up here you are really stuck which is not nice at all." **Focus group participant, Llanwrtyd Wells**

"I don't know how I'll manage when I can't drive. I'm 80 now so won't be long. It will be a real hassle then." **Focus group participant, Llanfyllin**

"I live in Rhayader, where there is now no bank operating. To some extent I can use the Post Office, as long as that remains in situ, to access some banking services or cash. Otherwise I have a 22 mile round trip by car or bus. I will use half a gallon of petrol in the car, the bus is free to pensioners but runs at 2 hour intervals. If I cannot get everything I need done within 20 minutes the bus journey will take 3 hours. I can do a great deal of my bank procedures via internet banking, but I have that ability and that resource, many people of my age do not." **Individual C**

"For many older people, travelling to another town or supermarket presents its own challenges. Many older people may not be able to drive nor have access to private transport, so they become increasingly reliant on bus services, which are reducing in number and frequency, especially in rural areas of Wales." **Older People's Commissioner for Wales**

**37.** The impact closures are having on the high street and the local economy is very concerning - money is being drained from smaller communities and high streets to the bigger towns with more banking facilities. And for Welsh businesses

there is also a tangible extra burden in trying to run a business without local access to a range of banking services. Tourism is just one of the important sectors that is being hit hard by lack of access to cash. Research confirms that the impact on the Welsh economy in particular, with its large number of small and medium-sized businesses, is particularly great in terms of reduced access to credit and finance.

**38.** There is a clear tension between customers' view of banks as a vital public service and decisions on bank closures that are entirely left to the market, with customers informed rather than consulted on closures.

"They didn't have a general meeting so that people could air their views. Nothing. Nothing at all." **Participant, Llanwrtyd Wells**

"I met with one of the hierarchy at HSBC and we spent an hour in the office with her. In that hour 17 people came in but she insisted it was four per day that were using the bank and that was why it was closing." **Participant, Llanfyllin**

## Access to Banking Standard – process for bank closures

**39.** The Access to Banking Standard, introduced in May 2017, which banks and building societies can sign up to, sets out how customers should receive timely and improved notification and support once the decision has been made to close a bank branch. The Standard sets important expectations of how customers should be supported and kept informed throughout any closure process so that no customer is left behind. It also requires firms to provide assistance to those who need it, to access online or mobile banking services or to explore alternatives.

**40.** The overarching principle of the Standard states that:

"Customers and relevant stakeholders of a bank branch that is closing will be provided with clear, understandable, accessible documentation and information about that specific closure as soon as the bank is able to do so, also what it will mean for them and how they can continue to bank following its closure."<sup>40</sup>

**41.** The Lending Standards Board (LSB) was selected as the appropriate body to oversee the application of the Access to Banking Standard in July 2017. The LSB is

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<sup>40</sup> [www.lendingstandardsboard.org.uk/wp-content/uploads/2017/07/Access\\_to\\_Banking\\_Standard.pdf](http://www.lendingstandardsboard.org.uk/wp-content/uploads/2017/07/Access_to_Banking_Standard.pdf)

a self-regulatory body, which provides independent oversight of adherence to voluntary standards.

**42.** UK Finance, the representative body for the banking and finance industry, said that it has “implemented the Access to Banking Standard to provide information and support to customers affected by branch closures”. It noted that the Standard is independently monitored by the LSB, whose last report in September 2018 showed there had been “good compliance from the industry”. UK Finance asserted that:

“Looking after every customer, especially those in vulnerable circumstances, is a priority for our members. Ensuring that people have access to banking and other financial services is a vital part of this.”<sup>41</sup>

**43.** Respondents to the Committee’s inquiry suggested that while they recognise that banks are private businesses, they are also offering an “essential public service”.<sup>42</sup> However, there is a tension here with the banks themselves, as the Access to Banking Standard states that:

“Banks are committed to providing access to banking across all the channels they deal with customers through. Banks can and will realign those channels in line with customer demand from time to time. This is a commercial decision for the bank alone.”<sup>43</sup>

## Closure process

**44.** According to UK Finance “closure decisions are made after applying a number of lenses, including the continued availability of access to cash in the community, whether that be via other nearby banks, ATMs or post offices”.<sup>44</sup> In circumstances where banks believe the closure of a branch (and removal of the ATM) would leave a community without easy access to cash they consider other ways of providing a free to use ATM within the community.

**45.** Church in Wales suggests that not all banks publicise branch closures, and also that there is no requirement for banks to consult on cutting opening hours:

“By the time closure is inevitable, bank opening hours will have reduced to an extent that creates a vicious circle: reduced hours leading to

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<sup>41</sup> Written evidence

<sup>42</sup> Written evidence - Cytun - Churches Together in Wales

<sup>43</sup> [www.lendingstandardsboard.org.uk/wp-content/uploads/2017/07/Access\\_to\\_Banking\\_Standard.pdf](http://www.lendingstandardsboard.org.uk/wp-content/uploads/2017/07/Access_to_Banking_Standard.pdf)

<sup>44</sup> Written evidence

reduced usage, leading to unviable business. If there was an obligation to consult the community before bank opening hours were reduced, the self-sustaining damage of declining usage might be halted, and closure would not become inevitable.”<sup>45</sup>

**46.** When asked about this “vicious circle” of reduced opening hours leading inevitably to closure, David Pickering of the LSB said that he did not think it was “quite as clear cut as that in every case”,<sup>46</sup> stating that sometimes reduced staffing could be a way to make branch provision more cost-effective. He conceded that since the LSB had taken over independent oversight of the Access to Banking Standard he only knew of one case where a bank - Royal Bank of Scotland - had reviewed its decision to close and subsequently retained 2 out of 10 branches, and that the review decision was taken by the bank, not as a result of consultation or engagement with stakeholders. The LSB’s due diligence process did not look at individual branch closures, but at “a sample of branches” - David Pickering said that the same process was being applied but that “clearly the impacts are different in different towns”.<sup>47</sup>

**47.** The Federation of Small Businesses Wales (FSB) says that its members have low awareness of and confidence in the previous Access to Banking Protocol. The FSB cites instances where the information signposting customers towards alternative banking services, such as the nearest Post Office, has been out of date or inaccurate. David Pickering of the LSB said he believed that improvements had been made since the time of the FSB research in 2016 (independent oversight of the Access to Banking Standard, the successor to the self-regulated Access to Banking Protocol, began in 2017). Eric Leenders of UK Finance said he was not aware of such instances, and “would expect that the audit process that we have in place would pick it up”:

“it can be on occasion that a post office might close at short notice, which does create a local difficulty. I’d return to the point that the oversight and audit scrutiny by the Lending Standards Board is designed to ensure that, if there is a systematic failure, that is picked up, that is fed back to the bank concerned, and they can remediate their processes accordingly.”<sup>48</sup>

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<sup>45</sup> Written evidence

<sup>46</sup> Para 199, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>47</sup> Para 186, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>48</sup> Para 42, Economy, Infrastructure and Skills Committee, 19 June 2019

**48.** Unite say: “this standard falls well short. In reality this agreement does not give consumers or staff any meaningful consultation in order to ascertain the actual impact of the closure. The provision of an Impact Assessment does not in the words of Which? ‘protect or represent the interests of the community when it comes to branch closures’”.<sup>49</sup> Unite went on to say that an improved Standard could protect future jobs and services within the finance sector across Wales.

**49.** UK Finance pointed to efforts that had been made to revise the Standard, to increase transparency about the due diligence and internal decision-making process for bank closures. David Pickering of the LSB said that he did not think banks took decisions to close lightly, and that they did take account of the needs of vulnerable customers and small businesses in conducting impact assessments for closures.<sup>50</sup>

**50.** Chris Larmer of the Cooperative Bank, the only high street bank to give oral evidence to the inquiry, told the Committee that the Cooperative Bank saw the banking standard as “a minimum”. He said the bank did consult and engage with communities, and undertake an impact assessment before closing a branch, and that “the consultation is important to us”.<sup>51</sup>

**Recommendation 6.** The UK Government and the JACS group should review whether the Access to Banking Standard is sufficiently robust to address the impact of bank closures on vulnerable people, SMEs and local communities, or whether regulatory or other mitigating action is needed.

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<sup>49</sup> Written evidence

<sup>50</sup> Para 180, Economy, Infrastructure and Skills Committee, 19 June 2019

<sup>51</sup> Para 35, Economy, Infrastructure and Skills Committee, 19 June 2019

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## 4. Alternatives to branch services

### 4.1. Online Banking and Digital Services

**51.** The “push and pull” of demand for and supply of digital technology for online and app-based banking does not recognise the reality for a significant number of people who cannot access services digitally. Financial institutions and government highlight work being done to promote digital services and encourage their use, but data from Which? and the results of the Committee’s own consultation show that a lot of people are unwilling or unable to move to accessing services digitally. Dragonsavers Credit Union say there is a lack of understanding by providers about people not having phones or computers, or being unwilling or unable to use them for digital banking,<sup>52</sup> and 51% of over 75’s in Wales are not regular internet users.<sup>53</sup>

“Pensioners make up one-third of adults without a basic bank account and 6% of households with someone aged 85+ have no bank or post office account.

Almost one-fifth of people aged 65+ use others to draw cash for them as a result of a variety of issues including their inability to access physical financial services or to remember their PIN number. This decreases independence and increases risk of financial abuse. Poor design makes it difficult for some older people to take up new banking technologies, for example telephone banking systems and security devices for internet banking.” **Age Cymru**

**52.** Lack of trust in online banking is a big issue, particularly among older people. The Older People’s Commissioner for Wales said that “as both skills and accessibility improve, lack of interest, motivation and trust are increasingly seen as the reasons for not going online”.<sup>54</sup> Valentine Mulholland of the Money and Pensions Service said “we’ve seen research that shows that, even those who could engage with online banking—they are digitally engaged—they don’t trust online banking, they don’t trust their transactions and there’s the prevalence of scams”.<sup>55</sup> Lee Phillips of the Money and Pensions Service added that 76% of people in Wales shop online, but only 67% bank online.<sup>56</sup> and Derek Walker of the Wales Cooperative Centre noted that the 2019 Pensioners Parliament<sup>57</sup> had expressed

<sup>52</sup> Written evidence

<sup>53</sup> National Survey for Wales - revised figures for June 2019

<sup>54</sup> Written evidence

<sup>55</sup> Para 249, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>56</sup> Para 295-297, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>57</sup> [www.npcuk.org/about](http://www.npcuk.org/about)

concerns about privacy and online safety and so digital inclusion training in Wales was focused on that.

**53.** The Older People’s Commissioner welcomed the work of Welsh Government’s Digital Communities Wales programme, including the Digital Heroes programme for pupils to engage with older people in care homes to “break down digital and generational barriers”, and the Digital Companions scheme to “harness the good will and skills of people who are happy using the internet to buddy up with someone who isn’t”.<sup>58</sup>

**54.** Derek Walker of the Wales Cooperative Centre, which works with Welsh Government to deliver Digital Communities Wales, said that in terms of digital exclusion, Wales had generally “tended to have higher rates than the rest of the UK”<sup>59</sup> due to higher proportions of elderly, disabled and people on low salaries, but that the Welsh position compared to other parts of the UK had improved and was “certainly no worse”, because of a “concerted effort over years” to supporting people with basic digital skills. He said national survey data showed a reduction from 15 per cent to 11 per cent of people digitally excluded. But digital skills training can only go so far. Aside from skills, cost of equipment and lack of connectivity, Derek Walker told the Committee that there was a “lack of willingness”.<sup>60</sup> He said “the biggest barrier is often an attitude about wanting to get online”, and with digital skills training they would “start with what is of interest to people, and work from there”.<sup>61</sup>

**55.** The Age Cymru Consultative Forum, set up to provide evidence to the Access to Cash Review, revealed the difference in how some older people prefer to bank: “I don’t trust technology. Younger people trust it implicitly but I can’t”, and “Older people still prefer cheques and cash to electronic payments. They don’t want to know someone else’s bank account details, as they regard this as a breach of privacy. Cheque stubs often provide a better record of expenditure than bank statements, as it can be difficult to identify the expenditure from the data given”.<sup>62</sup> Age Cymru provided evidence of its work to tackle scams and financial abuse affecting older people, and believes that the ability to make withdrawals and deposits (including cheques) from all current and basic bank accounts held with

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<sup>58</sup> Written evidence

<sup>59</sup> Para 289, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>60</sup> Para 291, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>61</sup> Para 287, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>62</sup> Written evidence

high street banks and building societies via the Post Office should be mandated by the UK Government.

## 4. 2. Mobile branch banking services

**56.** Several of the former high street banks have pursued a strategy of replacing bricks and mortar branches with mobile branch services. Unite the Union expressed concern about the adequacy of these:

“Unite is clear that these mobile branches do not serve the communities well. These mobile services are in no way equipped to conduct the same banking functions as a local branch. Unite believes this approach can also the staff at significant risk of assault and robbery. Strict timetables have to be adhered to - the mobile banks will not stay to serve customers beyond their scheduled times. Staff have reported customer anger and frustration aimed at staff when faced with mobile banking trucks following the closure of their local branch.”

**57.** Forty per cent of respondents to the Committee’s survey who were negatively affected by bank closures identified regular access to a mobile van as being helpful. However, they were not seen an adequate solution in terms of availability of services, access, and privacy issues.

**58.** Llanfyllin, Llanwrtyd and Anglesey participants either did not have access to a mobile banking van or had not used one. Participants from Llanfyllin have tried campaigning for access to a Natwest mobile banking branch but this has been unsuccessful so far. Participants from Ceredigion had used a mobile banking van but said the queues were often long and the vans sometimes have to move on before they’ve seen everyone. While some groups felt that mobile banking vans would be better than nothing, others felt it was not an adequate replacement for a bank branch due to the lack of privacy and services it can offer.

“The mobile banks do not provide the same services i.e. limited amount I can withdraw.”

“I have to do all my elderly mother’s banking online, removing her privacy and her autonomy. She cannot stand in a cold carpark and wait in a queue for very restricted (and in my experience, rude) service from staff in a van.”

“NatWest van only comes once a week.”

**Survey respondents**

**59.** It was suggested by survey respondents that there should be a mobile banking van on a Saturday to enable use by those who work during the week, and that mobile banking branches “should be compulsory in EVERY town that they close the bank.....With times and places sent out to each of their customers in the locality”.<sup>63</sup>

**60.** The committee highlighted the inadequacies of the mobile banking services provided to rural areas in place of branches to the Lending Standards Board. David Pickering of the LSB undertook to “take that away” and said it would give further consideration to the adequacy of “the mobile offering”.<sup>64</sup>

### 4. 3. The Post Office Network

**61.** The Post Office is the UK’s largest retail network and the largest financial services chain in the UK. It has more branches than all the UK’s major banks put together. With more than 900 branches in Wales, it is uniquely positioned to take up some of the slack in the wake of bank branch closures. The National Federation of SubPostmasters (NFSP) highlighted that “since 2010, the number of bank branches in the UK has reduced by a third, whereas the number of post offices has remained largely consistent”.<sup>65</sup>

**62.** The NFSP noted that bank closures are “especially prevalent in, but not limited to, rural areas and parts of the country with a high proportion of elderly and/or economically disadvantaged people”.<sup>66</sup> It suggested that “banks are abandoning the very areas where people depend on them most, and that “the post office network is perfectly placed to be the ‘go-to’ location for banking services where bank branches are not available”.<sup>67</sup>

**63.** The Post Office network has been offering basic banking services to customers under standardised banking arrangements for the past two years. According to written evidence from the Post Office the Banking Framework Agreement, launched in January 2017, “enables 99% of all the UK’s consumer banking customers and 95% of small business banking customers to access basic banking services through every Post Office branch and outreach service”. However, Which? research suggests that the Post Office network “isn’t the neat solution that

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<sup>63</sup> Committee survey respondent

<sup>64</sup> Para 181, Economy, Infrastructure and Skills Committee, 19 June 2019

<sup>65</sup> Written evidence

<sup>66</sup> Written evidence

<sup>67</sup> Written evidence

banks claim”.<sup>68</sup> It says that “currently, the Post Office does not fill the gap a local bank leaves when it is removed from a location, and it cannot be considered a like for like alternative which will meet the needs of everyone in the community”.<sup>69</sup> Which? highlights that though customers can withdraw cash, check their balance and pay in cash and cheques, they need to use a paying-in slip from their bank, and often an extra day or two is needed for deposits and cheques to appear on their balance. People also cannot transfer money from their account, or seek advice or make enquiries about savings, current accounts, credit cards, mortgages, and personal loans or investments.<sup>70</sup>

**64.** The Post Office told the Committee:

“Post Offices are at the heart of Welsh life. Over 93% of the population have a Post Office within a mile of where they live. People want a shop, a bank and a Post Office in their community. Increasingly, Post Offices enable all three.

For people without cars, or who don’t have access to public transport, for those who don’t do business online, and for small businesses serving or operating from rural communities, we are increasingly the only place where they can deposit and withdraw cash, pay bills, collect benefits, send parcels and transfer money around the world.”<sup>71</sup>

**65.** The Post Office network undoubtedly has an important role, but it is limited in what it can do, something that Ministers acknowledged to the Committee:

“That’s self-evident, it seems to me—post offices can’t replace banks. They can replace some of the services of banks in some circumstances, but they, generally, don’t have a private place that you can talk to somebody. Most people are not going to want to discuss their private financial matters loudly over a post office counter. That’s not how it is. But they can replace small cash services and deposit services, and general automated teller machine type services if there’s not an ATM there, but it’s not in any way a replacement for a full banking service, and that’s the space in the market that we’re talking about.”<sup>72</sup>

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<sup>68</sup> Is the last bank in your town under threat? Which? Money, December 2018

<sup>69</sup> Written evidence

<sup>70</sup> Written evidence

<sup>71</sup> Written evidence

<sup>72</sup> Para 170, Economy, Infrastructure and Skills Committee, 3 July 2019

**66.** Most of the groups the Committee spoke to had also seen the closure of their local Post Office and now had branches located inside shops instead. Although many groups were complimentary of the staff working in the Post Office, its position usually at the back of shops presented a number of issues in terms of privacy and accessibility. For many with a disability, this is difficult in terms of physical access and for those with autism for example, it can also be difficult in terms of accessing a new and busy environment.

**67.** Dr Valerie Billingham of Age Cymru raised concerns about post office closures or threats of closure, and said that older people were also concerned about losing access to their pensions through the Post Office, pointing out the proportion of the “older old” without access to a bank account or the ID needed to open one: “...pension cards are being withdrawn, and local post offices are saying that it may not be viable for them to offer pension withdrawals any longer without the pension card. So, older people without access to a local bank are now very worried that they may lose access to post office withdrawal facilities as well, and not be able to get hold of their pension through a post office”.

**68.** Valentine Mulholland of the Money and Pensions Service confirmed that post office closures were higher in Wales, and this was hitting rural communities very hard: “in terms of closures of post offices, although that’s much slower, between 2017 and 2018, Wales saw 2.7 per cent closures, which was much bigger than any part...of the UK... So, I think that’s a particular concern, is that we’re being hit on both sides there”.<sup>73</sup>

“Using Post Offices is fine but it still doesn’t solve the problem that if you belong to a bank they are a service provider and they should provide a service for everybody in communities. It’s all very well passing the buck to the Post Office but not everywhere has a Post Office. We’re very lucky here – its incorporated into another business.” **Participant, Llanwrtyd Wells**

“I live down the road so I use the Post Office in Llanfechan which is there once a week and that’s fine but I don’t use the one here because the queue for spars tills are right behind me. And do you want to do business with people stood right behind you? Not really.” **Participant, Llanfyllin**

“The Post office also closed in town and for 2 years there was none. Then the Spar shop opened a counter, which was much better than none BUT I would not like to use this for banking as there is NO privacy and it is so busy there most

<sup>73</sup> Para 276, Economy, Infrastructure and Skills Committee, 27 June 2019

of the time it is unpleasant to have to use with the shop queue alongside you. Everyone is squashed.” **Survey respondent**

“Paying monies in via a post office (cash) takes an extra working day to show credits.” **Survey respondent**

**69.** Both Post Office Ltd and the NFSP challenged some of the issues raised about privacy, and meeting the needs of vulnerable customers. Greg Lewis of the Post Office said, in relation to balance inquiries: “the clerk does not see the balance. The balance is only printed on the receipt...and that receipt is face down to the customer, so the clerk has no knowledge of how much is in that customer’s account”.<sup>74</sup> And with regard to helping customers on low incomes, he said:

“I do stress, though, we cannot replicate what a bank does in its entirety, but we can certainly service the basic cash provision and needs, and, in terms of the vulnerable members of society, we can actually offer many benefits above an ATM. For instance, if you use our over-the-counter cash facility, you’re not constrained to taking £20 and £10 notes out, which you are with an ATM, unless it’s got £5 stock within it. You can actually have an exact amount that fits in with your budget and needs. Some customers—some students, for instance—may take out less than a tenner. So, we can offer that convenience, plus also talk a customer through the transaction, which they can’t do on an ATM.”<sup>75</sup>

**70.** A recent inquiry by the House of Commons Business, Energy and Industrial Strategy Committee<sup>76</sup> exposed challenges to the robustness of the Post Office network relating to the franchise system and remuneration of subpostmasters. Evidence to this Committee from the NFSP suggests that “without further support there is a risk that individual branches within the post office network may struggle to cope with some of the consequences of an increase in banking transactions as banks continue to desert the high street”.<sup>77</sup>

**71.** The FSB said that for businesses there is an “inconsistent service offering across the Post Office network” and that “business banking services provided at some Post Office branches and franchises are too limited”.<sup>78</sup> The FSB also asserts

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<sup>74</sup> Para 90, Economy, Infrastructure and Skills Committee, 13 June 2019

<sup>75</sup> Para 27, Economy, Infrastructure and Skills Committee, 13 June 2019

<sup>76</sup> [www.parliament.uk/business/committees/committees-a-z/commons-select/business-energy-industrial-strategy/inquiries/parliament-2017/post-office-network-17-19/](http://www.parliament.uk/business/committees/committees-a-z/commons-select/business-energy-industrial-strategy/inquiries/parliament-2017/post-office-network-17-19/)

<sup>77</sup> Written evidence

<sup>78</sup> Written evidence



that some services, such as cash and cheque clearing facilities, appear to be processed more slowly than in bank branches, a point also made by others.

**72.** According to the FSB, as the future of the network moves away from full-service post offices to franchises “there is concern about the impact on small business access”. This lack of access to such services has a “direct impact on small firms, particularly those whose business is dependent on tourism”.<sup>79</sup>

**73.** The Post Office explained its plans to expand the Banking Framework Agreement further to include credit unions. Greg Lewis said:

“So, the Post Office is looking to work with as many credit union aggregators as possible, so the onward reach for the credit unions that they associate with expands. And we, by having a relationship with more than one aggregator as well—we’re not favouring any particular aggregator that a credit union should join. So, we want to be in a position to say to credit unions, ‘Yes, if you go with any on this list of aggregators, that will open up the full network access for your customers.’<sup>80</sup>

**74.** While this move to expand access to services is welcome, it does not address all the problems associated with using the Post Office for banking services.

**75.** Also of great concern is the significant lack of public awareness about Post Office banking services, and some unwillingness to use the Post Office for banking. Which? found that only 55% of adults were aware that they could use Post Offices for banking, and 47% said they were unlikely to bother doing so in the future.<sup>81</sup> The NSFP Member survey in 2019 found that 55% of subpostmasters in Wales felt that a minority of people in their local area were aware of the personal banking services they offer, and 61% felt that a minority of businesses were aware of their business banking services.

**76.** Greg Lewis of Post Office Ltd acknowledged the problem: “awareness, even though we’ve been doing what we can, is still low”.<sup>82</sup> This is an important issue to address, given the important role the Post Office network plays in plugging some of the gaps in access to banking. When asked if there was anything the Welsh Government can do to assist in making the Post Office network more able to fill the gap left by banks, Greg Lewis said that Post Office Ltd would “love to work

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<sup>79</sup> Written evidence

<sup>80</sup> Para 128, Economy, Infrastructure and Skills Committee, 13 June 2019

<sup>81</sup> Written evidence

<sup>82</sup> Para 110, Economy, Infrastructure and Skills Committee, 13 June 2019

with you to raise awareness of what we can do and what we can't do".<sup>83</sup> It is however UK Government which leads on these issues, which are reserved. The UK Government provides a subsidy for the Post Office Network, and in December 2017 announced that £370 million would be provided to support the Post Office Network between 2018 and 2021, £160 million of which is being used to protect "last shop in the village".

**77.** The Welsh Minister for Housing and Local Government retains lead responsibility for monitoring Post Office and Royal Mail matters in Wales, and the Welsh Government says that it recognises "the social value [post offices] provide to the communities they serve"<sup>84</sup> and has previously provided funding. The Post Office Development Fund which operated from 2002-2005 had awarded £4.2 million, and the Post Office Diversification Fund was opened in January 2009 and closed to new applications in November 2013. The Committee asked Welsh Ministers why this support had been withdrawn and received a reply from the Deputy Minister for Housing and Local Government, Hannah Blythyn AM. In July 2014 the then Minister for Communities and Tackling Poverty had stated that "as public sector budgets were now falling the Welsh Government had to "carefully consider its priorities".<sup>85</sup> The Deputy Minister said the fund had been closed for a number of reasons, including the quality of applications falling, applications were increasingly coming from Post Offices which had already benefitted from the Fund, and the UK Government having introduced its modernisation agenda which included funds for the capital improvement of post offices across the UK. Post Office Ltd had subsequently submitted a brief bid to Welsh Government for continuation of the Diversification Fund, but it "did not outline how the continued funding of post offices would help to tackle poverty. It was not therefore considered a priority for funding and was formally refused in September 2014".<sup>86</sup>

**78.** The NSFP believes Post Office Ltd must work with the UK Government on a national strategy to increase awareness and equip sub postmasters with the tools and resources to promote services in their local area. It has called for Post Office Ltd to work with the UK Government to increase awareness, and would like to see "both a national-level campaign (TV, radio, print media etc), and resources allocated to enable post offices to carry out their own local-level campaign".<sup>87</sup>

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<sup>83</sup> Para 106, Economy, Infrastructure and Skills Committee, 13 June 2019

<sup>84</sup> Written evidence, letter from Deputy Minister for Housing and Local Government, 16 July 2019

<sup>85</sup> Written evidence, letter from Deputy Minister for Housing and Local Government, 16 July 2019

<sup>86</sup> Written evidence, letter from Deputy Minister for Housing and Local Government, 16 July 2019

<sup>87</sup> Written evidence

**79.** The Committee acknowledges that postal services and post offices are a reserved matter and that there are funding constraints, but it would like to see Welsh Government actively exploring all avenues to protect and support the Post Office's role in providing alternative banking services and to raise awareness of that in Welsh communities.

**Recommendation 7.** The Welsh Government should review its support for the Post Office Network and explore with the UK Government and Post Office Ltd how to support efforts to expand the cash-in-out and other services it can offer, and to raise public awareness of its banking services across Wales.

**Recommendation 8.** The Welsh Government should properly map the gaps in banking services overall - access to banks, Post Offices, free-to-use ATMs and connectivity for digital banking. Based on an increased understanding of the gaps, Welsh Government should explore what more it can do to address the wellbeing impacts associated with reduced access in rural communities, e.g. investing in transport options, partnership approaches, planning interventions and connectivity projects to improve access in the worst affected areas.

## 5. Digital inclusion and connectivity

**80.** Lack of connectivity is a fundamental problem for people trying to access banking services in Wales. Which? referred to an Ofcom report on digital connectivity in 2018 to set out the scale of the problem: “around 3% of premises in Wales cannot access a decent fixed broadband service. In addition, 10% of Wales’ landmass has no good 4G coverage from any operator. This has improved from 22% a year ago but rural areas are still badly affected. 31% of homes and businesses in Wales do not have good indoor 4G coverage from all operators. This unreliable broadband and 4G connection will leave many people across Wales excluded from making digital payments, or using online banking”.<sup>88</sup>

**81.** Which? asserted that “the fast movement towards relying solely on digital and electronic payments is happening without the proper assessment and scrutiny”, which “risks leaving some people excluded, less independent and struggling to pay for basic services”.<sup>89</sup>

“Internet banking is almost impossible due to lack of mobile signal.”

“It frustrates me as not everything can be done online. As much as I can check my balance online, so much I still can’t do so it isn’t helpful moving everything there. Internet speeds and phone signal in my valley is awful too.”

### Survey respondents

**82.** Which? also pointed out that advances in technology and cyber security measures mean things are getting worse for those with poor connectivity: “In Wales 5% of the population has no 2G. People with low phone signal risk being excluded as banks start to ask customers to validate online card payments using their mobile phone, under strong customer authentication (SCA) requirements. Banks will send a one-time passcode (OTP) - typically by text - which must be entered at the online checkout to authorise the payment. However, we know that some people will struggle to receive these texts and be unable to continue making their payment”.<sup>90</sup> This problem affects many parts of Wales:

**Kathy, Pembrokeshire** “I am a wheelchair user and live in a very rural part of Wales where there is absolutely no mobile phone reception. I use the internet

<sup>88</sup> Written evidence

<sup>89</sup> Written evidence

<sup>90</sup> Written evidence

for shopping, paying bills and banking – it’s a two-hour round trip by car to visit the nearest branch. Halifax recently contacted me with a questionnaire as they are also thinking of changing security for setting up new payments to a mobile phone system (they currently use my landline for this). I explained that I would have to close my account with them, which I have had for 30 years, if they introduce this.”

**Trevor, Aberconwy:** “All banks have been closed for over a year I think. I know that banks want us to switch to online banking but some of them are making it very difficult for people living in rural areas. Santander send OTP (one time passwords) by text message, when you want to pay a bill online. We don’t have a mobile signal, yet they refuse to send it by e-mail or landline phone.”

**RG, Clwyd West:** “It’s very difficult now that the nearest branch is over 30 miles away. An extra difficulty is that I cannot use bank apps; there is no mobile signal in the area. I have to remember to use the cash machine when I go shopping, because the nearest ATM is 16 miles away. My nearest bank branch is 30.1 miles away. I am 73 and do not enjoy driving so far.”

**Which?**

**83.** In oral evidence, Thomas Docherty of Which? illustrated this problem of rural parts of Wales being doubly disadvantaged:

“in Brecon and Radnorshire, which has had more bank branch closures than anywhere else in Wales—it’s lost 14 branches in that period I’ve outlined—40 per cent [correction: 45 per cent] of households could not access the current USO, the universal service obligation, minimum speed for broadband. So, clearly, there is a double whammy there of loss of bank branches and not being able to use alternative forms of banking service.”

**84.** No amount of financial education or digital training will help if connectivity issues are not resolved. When the Committee asked those negatively affected by bank closures what could be done to help, 26% of those surveyed said “better WiFi and/or internet connectivity”. Which? said “the Welsh government must ensure that it is supporting good broadband and mobile coverage across Wales to make sure that consumers have the choice to use digital payments and banking services”.<sup>91</sup> As the Committee has previously highlighted in its report “Mobile

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<sup>91</sup> Written evidence

Action Plan Update"<sup>92</sup>, resolving connectivity problems is crucial for Welsh communities and the Welsh economy.

**Recommendation 9.** The Welsh Government should continue to pursue urgently with the UK Government and Ofcom, the implementation of measures to provide adequate connectivity for digital banking across all of Wales.

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<sup>92</sup> <https://www.assembly.wales/laid%20documents/cr-ld12069/cr-ld12069-e.pdf>

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## 6. Financial inclusion and capability

**85.** The Committee received strong evidence about the impact of branch closures on older people and disabled people in particular, and the problems of digital exclusion for those already disadvantaged. Data provided by the Welsh Government for June 2019<sup>93</sup> shows that 22% of people aged over 50 are digitally excluded (not regular internet users), with the figure rising to 51% for those aged over 75. For disabled people the figure is 22%, for social housing tenants 21%, and 6% of unemployed people are not regular internet users. Single pensioner households are least likely to have any internet access (only 55%). Only 75% of social housing residents have internet access compared with 89% of owner occupiers and 90% of those in the private rental sector.

**86.** The Welsh Government identifies the barriers to online access as motivation, online safety, cost and equipment, and says that encouraging more citizens and organisations to adopt digital technologies remains a huge challenge. This was backed up by survey and focus group participants, with lack of trust in online banking a major barrier:

“When you hear about all this hacking and so forth it makes it not worth it. I’m not going to risk it.” **Participant, Llanwrtyd Wells**

“I can’t believe what’s been happening lately. We’ve been getting these letters from HSBC and it’s all to do with security – and you know we’re told not to give detail over the telephone but they want you to telephone” . I think we’ve got a date now where they’re going to ring my husband and you’ve got to give a password... and to me it’s a bit frightening.” **Participant, Llanfyllin**

“I don’t like using...I’m going to be old-fashioned .. I don’t like paying online.. I mean I’m on the computer, I’ve done a lot on the computer all my life – but I do not do my banking on the computer because I was listening to a programme the other day and one bank has lost a lot of money now through scams so I don’t use anything, I don’t pay anything online.” **Participant, Llanfyllin**

“We’re creatures of habit. I feel safe in the bank. I deal with the bank, I know what happening and that’s it.” **Participant, Llanfyllin**

“I hate being forced to use digital banking. I don’t trust it. I never remember my passwords/pass codes and answers to special questions. It’s much harder to resolve problems without a person. I have to do my elderly neighbours banking

<sup>93</sup> Revised figures based on the National Survey for Wales 2018-19 - June 2019

on her behalf as she has never had either a mobile phone or computer.” **Survey respondent**

**87.** The Money and Pensions Service and Age Cymru were among those who said the impact of bank closures was much greater for vulnerable groups. Age Cymru said it was making older people more vulnerable to financial abuse:

“more people are keeping cash in their homes, due to the lack of a local bank, and about 20 per cent of people who are aged over 65 are using other people to withdraw cash for them. Now, that could be due to several different reasons, but lack of access to a bank is one of the big reasons. And, of course, we’re concerned that this decreases their independence and increases risk of financial abuse if you’re relying on someone else to take your bank card, know your PIN number and take money out of your account.”

**88.** Dr Valerie Billingham of Age Cymru said “little or no thought” had been given to the needs of older people, particularly in rural communities, and more could be done by the banking sector: “in terms of identifying vulnerable customers, of course, the utilities companies have done a lot of work on this, and I don’t know whether that has cross-fertilized into the banking sector or not, but it might be worth having a look at”.<sup>94</sup>

**89.** The Money and Pensions Service (MPS) has a Financial Capability Strategy for Wales which has “been embedded into the Welsh Government’s Financial Inclusion Strategy”. This strategy sets out the interventions identified by and delivered in partnership with stakeholders and practitioners from across Wales to improve the financial capability of the Welsh population.

**90.** The MPS believes that being able to access appropriate banking and financial services is “key to financial capability”, and is “particularly important in rural areas where access to physical banking infrastructure may be “difficult and costly in both time and money, and where digital banking services can be impeded by poor broadband coverage”.<sup>95</sup>

**91.** The MPS 2018 UK Financial Capability Survey shows that levels of financial capability across the UK remain stubbornly low, with many measures being markedly lower in Wales. There are more people with less than £100 in savings and investments (27% in Wales versus 22% UK average), more people who feel

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<sup>94</sup> Para 266, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>95</sup> Written evidence



they cannot determine what happens to their lives when it comes to money (67% versus 63% UK average) and fewer who report having financial goals for the next five years (48% versus 53%). MPS suggests that “all efforts must be to reduce this gap, and any potential negative impact on financial capability should be understood and avoided”.

**92.** Cambrian Credit Union (CCU) says that for many people loss of branch services is an inconvenience, but “the most financially vulnerable get hit disproportionately hard by branch closures” and that “financial exclusion is being increased”. CCU provided the following examples:

- Those who by choice or necessity live a “cash life”. This is because branch closures are often accompanied by a loss of cash services (e.g. ATMs). In the UK there are an estimated 1.2 million people in the UK without a bank account.
- Those who struggle with technology or who need a friendly face to guide them through often complex processes to access essential financial services. It is already noticeable that in the remaining branches the priority of bank staff is to help customers use the automated services on offer rather than handle cash themselves. This is clear evidence of a need to support people, a need which cannot be met in places without a branch.
- People without bank accounts who have to rely on prepaid cards already have to pay a fee to the card issuer to use an ATM. Branch closures are frequently accompanied by the loss of a free-to-use ATM. This leaves these people hit twice as they may find themselves having to pay two lots of fees to obtain their cash.

**93.** The Minister for Housing and Local Government said Welsh Government was keen to work with the JACS Group to address exclusion issues:

“we’re very keen on working with any agency that allows us to make sure that we don’t have cash excluded as well as digitally or financially excluded people or sets of people across Wales. Obviously, there’s an issue with an ageing population that doesn’t have some of the digital and financial inclusion skills, but, actually, there’s a huge issue for anyone with any kind of sensory impairment, so if you’ve got a visual or hearing impairment, some of the apps are really hard to use. There are whole issues around other people who are already disadvantaged in

society, and we need to level off that playing field for them and not make them jump over higher hurdles.”<sup>96</sup>

## 6. 1. Financial Capability of Future Generations

**94.** The Money and Pensions Service is particularly concerned that more limited access to bank branches is affecting future financial capability - children and young people’s financial capability is enhanced by seeing their parents using cash and many young people are either unbanked or lack confidence about using their bank account, “particularly so if this has not been modelled by parents”.<sup>97</sup> Bangor University’s evidence also pointed to “concerns in the financial advice gaps and low levels of financial literacy across Wales”, adding that “Financial literacy and consumer confidence in switching banking provider across Europe is seen to be lower in rural, more deprived and less educated regions”.<sup>98</sup>

**95.** Principality Building Society told the Committee about its involvement in financial literacy in schools at Key stage 2, and that it also tries to bridge the gap in reaching teens with the importance of saving - they said that people like the passbook and the discipline of coming into branch to make a deposit, and like having to make that extra effort to withdraw from their savings. Principality is also introducing a new product that links parents’ and children’s savings and encourages them to save more.

**96.** Financial education is covered in the new draft curriculum for Wales<sup>99</sup>, with “achievement outcomes” in particular under the Mathematics and Numeracy “Area of Learning and Experience” (AoLE), but also featuring in the Health and Wellbeing AoLE. Eleven year olds will be expected to demonstrate an understanding of income and expenditure, to calculate profit and loss, and create and evaluate budgets for activities and events. By age 14 they should be able to solve problems involving simple interest, compound interest and depreciation, to calculate bills and budgets that include basic taxation on goods and services, and “justify choices based on value for money, personal well-being and global impact”. By age 16 they should also understand about annual equivalent rates and annual percentage rates and how to “develop models to evaluate and compare financial products”, as well as understanding about income tax and the implications of taxation.

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<sup>96</sup> Para 34, Economy, Infrastructure and Skills Committee, 3 July 2019

<sup>97</sup> Written evidence

<sup>98</sup> Written evidence

<sup>99</sup> <https://hwb.gov.wales/draft-curriculum-for-wales-2022/mathematics-and-numeracy/>

**97.** The curriculum also has a focus on students having financial experience, including as “critical consumers”, and importantly under the health and wellbeing area there is a focus on personal money management and understanding the “influence of financial circumstances and decisions on mental health and emotional well-being”. However these new curriculum elements will not begin introduction into Welsh primary schools until September 2022, and will take some years to embed.

**98.** Lee Phillips of the Money and Pensions Service described its close working with Welsh Government to embed financial education in the new schools curriculum and promote it in schools, noting that feedback had identified that teacher’s confidence in teaching it “isn’t quite as strong as it could be” and so they were looking at how to fund some professional learning for teachers in Wales to build their financial education work.<sup>100</sup>

**Recommendation 10.** The Welsh Government’s support for digital inclusion should prioritise a) maintaining support for existing digital skills training, b) consulting stakeholders on how to further address barriers to older and vulnerable people safely accessing online banking, and c) providing additional support to teachers to deliver financial education within the school curriculum.

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<sup>100</sup> Para 303, Economy, Infrastructure and Skills Committee, 27 June 2019

## 7. Impact on Business and the Welsh Economy

**99.** Banc Cambria noted that there is evidence to suggest poor and unreliable internet connectivity in areas affected by bank branch closures are “further compounding the difficulty in accessing banking for small businesses” and that “activities such as processing a bill payment or registering for a service are often compromised as a result”.<sup>101</sup>

**100.** The FSB suggests that “our rurality is likely to provide a doubling of the impact because as opposed to many other parts of the UK, our mobile and broadband coverage tends to be poorer, particularly in rural areas, meaning there is little alternative to in branch banking”<sup>102</sup>.

**101.** Research shows that lack of access to banking services is adversely affecting access to credit for small and medium-sized businesses (SMEs), of which Wales has a very high proportion. Therefore the Welsh economy is being negatively affected by the loss of bank branches. Academics at Cardiff University’s Business School and University of Birmingham’s Department of Finance found that “SMEs located in areas with higher branch density and with branches that have a shorter distance from their bank HQ, faced lower credit constraints during times of financial stress. The centralisation of banking corporate lending decisions have then had a deleterious effect on bank credit availability in areas furthest from the bank HQ”.<sup>103</sup>

**102.** The loss of local knowledge associated with physical branch closures, for example the loss of relationships that allow bank managers to appropriately support farmers and local businesses, is also having a detrimental effect on the Welsh economy. 78% of business banking customers responding to the Committee’s survey said the closure of local banks had had an impact on their business, with 56% saying it had limited access to business support and advice.

“What they don’t tell you is that it takes 1 week for cheques paid through the Post office to be cleared funds. This has had an impact on the farm account and direct debits have been returned by the bank because of “uncleared funds”...We have gone backwards needing a week to clear cheques, it used to be 3 working days in the branch banking network. The local business account manager would not have returned these items unpaid because they knew us, the

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<sup>101</sup> Written evidence

<sup>102</sup> Written evidence

<sup>103</sup> Written evidence

account and the local business networks. Life is tough enough for small family farms struggling to survive in the current economic climate.

“However it is not just the counter service that is causing huge problems. Our Farm Account Business Manager is in Glasgow and you ring up and it is pot luck who you get to speak to. There is no continuity or personal service. Decision-making is escalated up a decision tree and a simple request can take days to be approved. Template letters are churned out and leaflets sent out at huge cost and little purpose. You ring them up and spend 20 minutes in a queue to be told incessantly that they are experiencing a spike in demand and either hold or call back later or use the website. This is code for we have not got enough staff to cope with the telephone demand now that we have closed down most of our branches.

“What does a manager in Glasgow know about farming in rural West Wales? Not only that but can they meet Welsh language demands?”

#### Individual B

**103.** Eighty-two per cent of business customers who responded to the Committee’s survey said bank closures had made it more difficult for them to deposit takings. Other problems included access to cash floats and cash withdrawals, and business owners were unhappy with the alternative services offered by the Post Office and mobile banking vans. Small businesses cannot afford to have to shut early to deposit takings. The FSB has heard “numerous concerns from FSB members having to drive substantial distances – in some cases, round trips of up to 70 miles to deposit cash takings from their business”.<sup>104</sup> Evidence from the Wales Cooperative Centre supported this. Derek Walker said: “we are hearing stories of businesses closing at lunchtime on a Friday because they need to get to the bank, because it’s too far away. So, that’s a service and a business that’s not operating for half a day a week”.<sup>105</sup>

“...you can’t just shut up shop in a small business to drive 15 minutes to the mobile bank location to find there are too many people queuing and you get turned away.”

#### Survey respondent

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<sup>104</sup> Written evidence

<sup>105</sup> Para 283, Economy, Infrastructure and Skills, 27 June 2019

**104.** The FSB has previously published research into the impact of bank closures on businesses<sup>106</sup> and points out that further research by fair price comparison site Choose, included in a House of Commons research briefing<sup>107</sup>, shows the greatest impact of closures is in the most economically deprived areas of the UK, including Wales: “they appear to be concentrated in poorer areas less profitable to the major banks, betraying a logic that sadly will be useful in predicting where future closures may arise”.<sup>108</sup> The FSB concludes that:

“it is therefore clear that Wales is likely to be one of the worst hit areas of the UK in terms of bank branch closures. Indeed, our rurality is likely to provide a doubling of the impact because as opposed to many other parts of the UK, our mobile and broadband coverage tends to be poorer, particularly in rural areas, meaning there is little alternative to branch banking.”<sup>109</sup>

**105.** In addition to the impact on day-to-day operation and profitability of small businesses, research has also shown a significant negative impact on bank lending affecting the growth of small businesses. A report by Move your Money, called “Abandoned Communities”<sup>110</sup>, states that “By mapping bank branch closures against the British Bankers Association postcode lending data, we show that bank branch closures dampen SME lending growth”.

**106.** The economic impact on independent businesses in smaller, often rural, towns when banks close is significant, as people travel to larger towns with banks and use the supermarkets located there instead of their local shops.

“Having to visit another town to access the nearest bank branch or the retail park supermarket to access free-to-use ATMs also has an impact on local economies as people will often combine their journey with shopping. This is money that would otherwise have been spent in the local shops, which further affects the high street and the local community.” **Older People’s Commissioner for Wales**

“Local banks closures in rural towns make a huge impact on small businesses, as I have seen, customer’s need to go to a bank and they go to the nearest town

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<sup>106</sup> Locked Out: The Impact of Bank Branch Closures on Small Businesses

<sup>107</sup> <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN00385#fullreport>

<sup>108</sup> Written evidence

<sup>109</sup> Written evidence

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[https://gallery.mailchimp.com/c9b157c9d89ca0bdb156c5128/files/Abandoned\\_Communities\\_V21.pdf](https://gallery.mailchimp.com/c9b157c9d89ca0bdb156c5128/files/Abandoned_Communities_V21.pdf)

with a bank, that town often has a Supermarket, so the customer immediately uses the supermarket for convenience whilst they are visiting the bank. So as a small business that is another customer lost to a big corporation.” **Individual D**

**107.** There is also evidence of impact on the third sector and those supporting charities. Several respondents complained about difficulty in obtaining change, paying in donations or operating charity accounts, from problems with banks accepting cheques to the travel time involved in depositing donations and having to hold onto cash for longer. As the third sector is increasingly relied upon to provide vital services in communities, these barriers to support for charities are a great concern.

“Charity account so can’t use ATMs or digital banking making it impossible to withdraw cash meaning we have to hold more cash in our home which is not safe.”

“As treasurer of small charity unable to pay in coins and unable to make international transfers without driving 40 mins.”

“I work for a charity, having to travel further for banking adds to my working day and at month end I have to leave work earlier to make sure the takings are paid in on time as I have to go further to a bank.” **Survey respondents**

“I’m treasurer for the WI so that has to go into a bank - I don’t drive. So just to put £10 into the bank it’s a 2 or 3 hour round trip. By the time you’ve got the bus and waited for the next one it could be 2 to 3 hours - that’s an issue.” **Focus group participant, Llanfyllin**

“I was in Welshpool yesterday, I help out with Christian Aid, and I had a good sum of money in the house to take in but Natwest has gone from Welshpool so I’ve got to go to Oswestry which takes 25 minutes to half an hour.” **Focus group participant, Llanfyllin.**



## 8. Impact on communities

**108.** The Church in Wales said that the closure of banks “represents another blow to community life in hard-pressed areas – whether in rural towns and villages, areas of industrial decline, or outlying parts of larger towns”.<sup>111</sup> It suggested that if these communities are to “retain or regain their vibrancy and attraction, they need to offer a full range of services which local people need to run their lives and businesses”.<sup>112</sup>

**109.** Unite suggested that mobile banks, often presented as mitigating the impacts of branch closures, “do not serve communities well”. Unite also asserts that “it is vital that the sector is forced to recognise its corporate social responsibilities to its customers, its staff and also to the local communities within which they gain their profits”.<sup>113</sup> Some respondents referred to the bailout banks received following the financial crisis in 2007-2008: “these are institutions that we bailed out with taxpayer’s money and they seem to be abandoning communities and vulnerable customers and expecting everyone to be cashless and online whether they like it or not”.<sup>114</sup>

**110.** The FSB states that bank closures “create an advice gap in some communities with limited access to alternative support”.<sup>115</sup>

**111.** The Alzheimer’s Society recommends that “banks should be mindful of the customers who are not necessarily comfortable using online services who may be alienated by bank closures,”<sup>116</sup> noting that this is likely to disproportionately detriment the older population. where online use is comparatively low, and therefore to particularly impact people with dementia. Branch staff with customer knowledge are more likely to be able to support people with dementia to safely retain access to their own money and to their independence, with help from a support worker if necessary.<sup>117</sup>

**112.** Which? suggests that the Welsh Government must “engage with stakeholders and consider what solutions could be put in place across Wales to ensure that local communities are able to access the banking and payments

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<sup>111</sup> Written evidence

<sup>112</sup> Written evidence

<sup>113</sup> Written evidence

<sup>114</sup> Written evidence

<sup>115</sup> Written evidence

<sup>116</sup> Written evidence

<sup>117</sup> Written evidence

services that are essential to their day-to-day lives”.<sup>118</sup> The Nationwide, which is among those committed to maintaining a high street presence, identified vibrancy of the high street generally as the big issue to be addressed. The role of bricks and mortar banks and the importance of access to banking services must be built into area regeneration plans.

**Recommendation 11.** Welsh Government to set out in detail how it intends to consider the impact on communities, town centres and high streets of bank closures and the loss of free-to-use ATMs in its regeneration and community wealth building activities.

## 8. 1. Welsh Language Access to Banking Services

**113.** The Committee received strong evidence of problems with lack of access to banking services in the Welsh language, including for older people. The Welsh Language Commissioner noted the decline in opportunities for customers to engage with their bank in Welsh, and the importance of bank branches as a source of employment that “contributes to the vitality of the economy and the vitality of the language”.<sup>119</sup>

**114.** The Commissioner’s 2015 statutory review of Welsh language services provided by high street banks, undertaken in response to increased complaints, found that the Welsh language services historically offered by major banks over the counter and over the phone were not so readily available, and Welsh had not been comprehensively included in transferring banking services online. Rural communities in the west and north of Wales with a higher percentage of Welsh speakers and older people have been disproportionately affected. Although the Commissioner had seen progress with some aspects, technological developments have not taken account of the Welsh language - digital scanning technology to process cheques does not recognise cheques written in Welsh, and there is no banking app available in Welsh.

**115.** The Welsh Books Council said it had seen a change in the attitude of the banks towards the Welsh language in recent years, with most services now only available through the medium of English: “We continue to receive a Welsh language bank statements, but all forms must be completed in English”. It said banks “do not appear keen to support small businesses”, and there is a lack of understanding about how the community sector operates, and it reports being refused access to a BACS system (Bank Automated Clearing System) because it

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<sup>118</sup> Written evidence

<sup>119</sup> Written evidence

was judged too small to qualify with a turnover of £7 million: “This has created huge administrative problems and means that we cannot operate as effectively as companies or charities who have access to the BACS system”.<sup>120</sup>

**116.** Alzheimer’s Society Cymru says that when a bilingual person has a diagnosis of dementia it is often proficiency in a second language that is lost first. Data also shows that as people age they are more likely to develop some form of dementia and that rates of spoken Welsh stay fairly consistent among the over 65 population. The charity says that “it is therefore vital that current services are not stripped away from Welsh language communities, and those that are moved, repurposed or digitised allow access in the Welsh language to enable people living with dementia to access services in the language of their choice”.<sup>121</sup>

**117.** One survey respondent complained about being forced to deal with banking issues in English, another said that the Welsh Language Commissioner and Welsh Government needed to take steps to force banks to offer a Welsh language service online and on the phone (e.g. not a limited service in a call centre as is currently available).

**118.** The Minister for Housing and Local Government acknowledged that more must be done as online services were not bilingual and face-to-face services were limited.

**119.** Although other concerns were raised with the Committee about the proposal for a new community bank in Wales, the Welsh Language Commissioner felt that establishing a bank with numerous branches across the country “has the potential to offer a comprehensive bilingual service,”<sup>122</sup> which could “address the deficiencies in services for groups of individuals who either don’t want to or have difficulty in engaging with banking online and serve to support the vitality of our Welsh speaking communities”.

**Recommendation 12.** Welsh Government should ensure that any community banking proposal in Wales takes full account of the need to deliver bilingual banking services.

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<sup>120</sup> Written evidence

<sup>121</sup> Written evidence

<sup>122</sup> Written evidence

## 9. Community Banking

**120.** In his manifesto to become First Minister, Mark Drakeford AM set out a proposal to support the development of a “new Wales-only Community Bank, with branches open to customers in different parts of our country, making funds available locally to small businesses and recycling local savings into local loans”.<sup>123</sup>

**121.** The First Minister’s intention is that the Community Bank of Wales would be “owned by its members, on a one-member one-vote basis,” offering current accounts to all local residents, face-to-face banking to local customers and small businesses, and providing loans decided by “skilled and experienced staff, not a computer-driven formula”. According to the manifesto “the Bank will begin to operate before the end of this Assembly term, spreading to the whole of Wales after the next Assembly election”, and the Committee was keen to explore the details of the proposal as part of its inquiry.

**122.** The community banking model promoted by the Royal Society of Arts (RSA) and the Community Savings Bank Association (CSBA) is also being pursued in other parts of the UK, including the South West and North West of England, and the Committee heard from Councillor Matt Brown, Leader of Preston City Council, about how this was part of the “Preston Model”<sup>124</sup> approach to community wealth-building within the regional economy. Cllr Brown told the Committee:

“What we have done with the banking project is, similar to Wales, we’re working with a number of councils in the north-west. Initially, it’s Liverpool council and Wirral, and there are other councils in Lancashire and Cumbria that we’re going to approach. So, we’re trying to get to the £20 million that we need to capitalise a bank, and we’re also trying to incubate the bank as well, so we’re looking at trying to get the members and the directors, so we’re hoping to have the bank up and running very soon. ....it’s about the wealth extraction from the regional economy. Because the reality is that something around 86 per cent of people bank with the large banks, and again that wealth then leaves the community. We’re very attracted by the idea it’ll be a co-operative bank that will be able to lend to local businesses especially.”

**123.** On 30 January 2019 the Minister for Finance and Trefnydd stated in Plenary that the Welsh Government was “in some very early-stage discussions with a

<sup>123</sup> <https://skwawkbox.org/wp-content/uploads/2018/11/manifesto-english-print.pdf>

<sup>124</sup> [www.preston.gov.uk/thecouncil/the-preston-model/what-is-the-preston-model/](http://www.preston.gov.uk/thecouncil/the-preston-model/what-is-the-preston-model/)

number of stakeholders who are keen to explore with us the feasibility of establishing that community bank in Wales”. She stated further:

“That work will be led by partners who will prepare a full market assessment and business plan with the intention to submitting it then to the Bank of England as an application later on this year. Banking professionals working within the Development Bank of Wales will support the work, providing advice and guidance where appropriate and ensuring that the creation of a community bank does integrate with the existing financial institutions, including, for example, the Development Bank for Wales and the credit unions.”<sup>125</sup>

**124.** Separately Banc Cambria began tweeting about its plans to create a “one member one vote” community bank in Wales along the lines of the First Minister’s proposal, and in February 2019 the “project vehicle” to take Banc Cambria forward was publicly registered with the Financial Conduct Authority by Mark Hooper of Indycube. Banc Cambria has agreed outline terms with the Community Savings Bank Association (CSBA) to utilise the community banking model (a bank in a box) they have developed. According to Banc Cambria the CSBA model “provides several small, medium and large sized branch solutions and includes a comprehensive online offering”.<sup>126</sup>

**125.** James Moore of the CSBA told the Committee that mutually owned banks were “a normal part of the plumbing and wiring of the financial system” in other parts of Europe, and that “businesses use them extensively”, but that it was not technically possible to have a mutually-owned bank in the UK before 2014, when the law was changed, and the Bank of England set up a unit to help people open new banks.<sup>127</sup>

**126.** Banc Cambria said that between January and December 2021 it is looking to “open a number of ‘branch’ types and channels to market across Wales. These would cover a mix of urban, rural, geographical spread, and branch types”, and it would also “aim to open at least one branch where the customer base is evidenced as suffering particularly badly from financial exclusion”.<sup>128</sup> The bank would expect to move to profitability by December 2026.

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<sup>125</sup> Para 52, Plenary session, 30 January 2019

<sup>126</sup> Written evidence

<sup>127</sup> Para 25, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>128</sup> Written evidence

**127.** It became clear following answers to written questions to the Minister for Economy and Transport that Banc Cambria had submitted a proposal to Welsh Government requesting “support to meet the cost of the early work phases”<sup>129</sup>, i.e. to provide “seed finance”. However, Banc Cambria’s written evidence to the Committee said that the bank itself would not require public funding:

“The Community bank would not need subsidy to compensate for it taking risks on small businesses, and having high overheads by operating in marginal areas where other banks have withdrawn. [...] The experience of co-operative and community banks in other countries, many of which are over 100 years old, is that they are profitable in their own right, and need no public subsidy, because they operate prudently. Also, the business model proposed of working with existing financial institutions, can open up the availability of a range of high street outlets at low cost. Possible high street partnerships could include existing Credit Unions and CDFIs<sup>130</sup>.”<sup>131</sup>

**128.** Banc Cambria confirmed the envisaged costs to set up and capitalise the bank with the Committee:

“To get to a licence, we think it’s going to cost about £600,000. And that gets you to a point where you get a licence with restrictions. The period from moving from a licence with restrictions to actually having a full licence—we’d need to probably raise about £8 million, I think, in total, some of which will be sitting just squarely with the Bank of England. And then the final tier 1 capital takes you up to about £20 million. So, in total, we’re talking about just over £20 million to be able to get this thing.”<sup>132</sup>

**129.** Ministers also confirmed that supporting the establishment of community banking in Wales was now Welsh Government policy, but said that it must be led by communities. On 3 July 2019, Duncan Harmer, Chief Operating Officer Business and Regions in Welsh Government told the Committee that it was “in the closing stages” of assessing the proposal to provide seed-funding of up to £600,000 to Banc Cambria,<sup>133</sup> and on 21 August 2019 the Minister for Economy and Transport

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<sup>129</sup> Written Assembly Question for Answer by the Minister for Economy and Transport on 21 June 2019

<sup>130</sup> A CDFI is a community development finance institution which provides financial services to an economically disadvantaged community

<sup>131</sup> Written evidence

<sup>132</sup> Para 56, Economy, Infrastructure and Skills Committee, 3 July 2019

<sup>133</sup> Para 69, Economy, Infrastructure and Skills Committee, 3 July 2019

“approved the proposal to provide initial phase seed funding to support the development of a community bank for Wales”.<sup>134</sup> Prior to the Banc Cambria decision, when asked how Welsh Government would deal with other similar start-up proposals for community banking, the Deputy Minister for Economy and Transport said:

“Clearly, I think there is a positive, a benign political and policy environment, where we want this to succeed, but it’s got to stand or fall on its own merits. So, we’ve been encouraging of Banc Cambria, as we would with anybody else who came forward. As far as I’m aware, nobody else has come forward, though we have been in conversations with the RSA and others who are working in Preston and London and so on. So, this is a relatively small community, all trying to do the same thing and learning from each other. But we need to treat it on its merits and make balanced judgments.”<sup>135</sup>

**130.** When questioned about longer term sources of capital investment for the bank, Mark Hooper told the Committee that Banc Cambria was an “interesting proposition” for potential private and public investors, and compared to other investment opportunities such as retail parks it was “more compelling”.<sup>136</sup> He said it was looking at a number of sources for capital funding in the public, private and third sector, including the many organisations in Wales that hold either cash balances or investments in other things. He said that community banks in other parts of the UK had raised investment from local authorities and other public bodies, as well as high net-worth investors, so there were “proven investors elsewhere”.<sup>137</sup>

**131.** When asked why he thought the Banc Cambria model would attract private investors and work where the big banks had failed, Mark Hooper suggested that the mutual bank model could be successful if the expected level of profit was not set as high: “our work would suggest that bank branches can be profitable, they’re just not at the same level of rate of return that the big branches can get”.<sup>138</sup>

**132.** Mark Hooper said that Banc Cambria aimed to fill gaps in rural areas where bank closures have made a significant impact: “rural communities are at the heart

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<sup>134</sup> <https://gov.wales/decision-reports-2019>

<sup>135</sup> Para 78, Economy, Infrastructure and Skills Committee, 3 July 2019

<sup>136</sup> Para 68, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>137</sup> Para 94, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>138</sup> Para 61, Economy, Infrastructure and Skills Committee, 27 June 2019



of what we're trying to do"<sup>139</sup>, and also that "this is about having a bank that talks as much to the Welsh-speaking communities as it does to elsewhere".<sup>140</sup> He confirmed that Banc Cambria would be looking at locating in towns that had lost their last bank. However, in terms of branch locations, he warned that plans were "finger in the air". Due to the cost of property Banc Cambria would be looking for partners to work with to establish itself where people are, including public spaces like hospitals, farmers markets, community centres and leisure centres, as well as leasing property for its own stand-alone operations. He also saw an opportunity to speak to banks who were leaving the high street about the empty property they owned.<sup>141</sup>

**133.** Mark Hooper described a scale that could "easily top 50 branches across Wales" within 5-7 years, with profitability within five years. Of those 50 branches, all of which would offer FTU ATMs, he estimated about 12 to be fully manned and the other 38 with fewer people and more automated:

"some of the branches would feel a bit more like the branches that we're used to. So, there'll be—a number of people will be working in those branches. Some of them will have fewer people and some of them may be, effectively, the nuts and bolts of the machinery—effectively, a glorified ATM delivering the services, but with a person at the other end of the screen, so you'll be able to have real conversations."<sup>142</sup>

**134.** Mark Hooper said unlike existing ATMs, Banc Cambria ATMs would be able to "recycle" money deposited by local shopkeepers. Banc Cambria would offer current accounts for personal and business customers, as well as people who run businesses from their retail accounts "which most normal banks actually struggle with wanting to support".<sup>143</sup> It would also offer loans and hoped to offer mortgages, although Mark Hooper was clear that it would not be offering credit cards or mortgages for second homes or holiday lets, because of the "negative impact on our society".<sup>144</sup>

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<sup>139</sup> Para 11, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>140</sup> Para 34, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>141</sup> Para 39-40, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>142</sup> Para 34, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>143</sup> Para 37, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>144</sup> Para 37, Economy, Infrastructure and Skills Committee, 27 June 2019

## Feasibility

**135.** Respondents to consultation expressed mixed views about Welsh Government supporting the creation of a community bank in Wales. The Principality Building Society states that “establishing any form of bank within the UK can be both costly and time consuming and for this reason we believe that it is likely to be unviable without major subsidies”.<sup>145</sup> It suggested that “there are other less costly solutions available that would help address the issues of financial inclusion, for example the “financial hubs” proposed within the recently published Treasury Select Committee paper on consumers access to financial services”.<sup>146</sup> The UK Government has however subsequently rejected the Treasury Committee’s proposal to require banks closing the “last branch in town” to financially support “banking hubs” within the local post office, a move which the Committee’s Chair at the time described as “disappointing”.<sup>147</sup>

**136.** Eric Leenders of UK Finance supported concerns raised with Members about the costs and regulatory hurdles attached to establishing a new banking operation:

“...one does need to think about the capital requirements for maintaining a banking operation, the liquidity requirements for maintaining a banking operation, the support that provides in the context of, for example, the financial services compensation scheme. That, of course, protects customers should the community bank find itself in its own financial difficulties. That is a substantial undertaking and that contributes to the fixed-cost base. I don’t know the extent to which the Royal Society of Arts’ paper has explored some of those dimensions, but, certainly, I would suggest that the committee considers them quite carefully and is quite thoughtful about them as it reviews any approach to a community bank.”<sup>148</sup>

**137.** Cambrian Credit Union said there was “no doubt that a community bank, run as a cooperative for the benefit of its members, has the potential to act as a challenge to the entirely market based approach of the high street banks”.<sup>149</sup> As

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<sup>145</sup> Written evidence

<sup>146</sup> Written evidence

<sup>147</sup> [www.parliament.uk/business/committees/committees-a-z/commons-select/treasury-committee/news-parliament-2017/consumers-access-to-financial-services-government-response-17-191/](http://www.parliament.uk/business/committees/committees-a-z/commons-select/treasury-committee/news-parliament-2017/consumers-access-to-financial-services-government-response-17-191/)

<sup>148</sup> Para 104, Economy, Infrastructure and Skills Committee, 19 June 2019

<sup>149</sup> Written evidence

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such it has the “potential to act as a catalyst for greater fairness and less exploitation in the delivery of financial services”. However, “even a mutual community bank will be faced with the reality of the cost of maintaining an extensive branch network particularly in rural areas with relatively small footfall. Banks are not closing branches out of malice; they are making rational business decisions”.<sup>150</sup> Mark Hooper said he saw Banc Cambria as fulfilling a need for small micro businesses and retail customers that the former high-street banks “have no interest in”.<sup>151</sup>

**138.** In terms of customer numbers needed to become profitable within five years, Cllr Matt Brown of Preston City Council told the Committee he envisaged needing 60,000 customers to switch to its new community bank proposition in North West England (2 per cent of the total population across Lancashire, Cumbria and Merseyside of 3 million, approximately the same population size as Wales). Mark Hooper said the figures for Wales would be slightly less, though still a significant proportion of the Welsh population: “We think, in Wales, it’s probably somewhat south of that. So, somewhere between 40,000 and 50,000 customers over five years. And that then starts to turn a profit”.<sup>152</sup> This equates to around 1.5% of the total Welsh population, not all of whom will hold a current account.

**139.** The Committee also questioned where the skills would come from to support the setting up of a new community bank, noting that the founder was not from a financial background but also that credit unions themselves could find it difficult to source the right skillset. James Moore of the CSBA conceded that harder than finding the money would be: “finding people who’ve got the right balance of skills and ethical motivation for wanting to create something in Wales with these characteristics”.<sup>153</sup>

## Alternative approaches

**140.** Several witnesses pointed to alternatives to setting up a completely new community bank. The NFSP said “the more effective option” would be to “capitalise on the huge potential that the Post Office network offers”.<sup>154</sup> It also pointed out that a community bank would require people to switch their current account, which people are reluctant to do, highlighting a Competition and Markets Authority investigation in 2015 which found that only 3% of people had

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<sup>150</sup> Written evidence

<sup>151</sup> Para 50, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>152</sup> Para 63, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>153</sup> Para 113, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>154</sup> Written evidence

done so in the previous year.<sup>155</sup> In their written submission to the Committee Welsh Ministers also noted this was a “further challenge” for a new bank given people’s reluctance to switch.<sup>156</sup>

**141.** The Church in Wales suggested that “it might be better to examine what existing initiatives might be further supported, rather than to embark on an entirely new development”, but that the “aim of a community bank should be to arrest the decline in local banking services, preserve community infrastructure, and encourage local economic development”.<sup>157</sup> Valentine Mulholland of the Money and Pensions Service also said that it was important to ensure that “whatever is developed is integrated with some of the existing opportunities”<sup>158</sup>, pointing in particular to the strength of the credit union sector.

**142.** Eric Leenders of UK Finance said:

“The costs of establishing a banking franchise are non-trivial—they are quite significant. And the fixed costs of maintaining a bank branch or a branch network are significant as well, principally across the premises, the IT and the human resource requirement.

“We’ve looked at models such as Bendigo Bank in Australia, which has become a very successful community bank. I think there are, probably, some quite compelling geographical drivers as much as commercial drivers in that particular model. I would have thought that, in considering community banking, it would be very sensible not to discount partnering with existing models—perhaps building societies, perhaps credit unions, perhaps other forms of mutual—to save the significant investment and some cost in establishing an entirely new competing brand. And I think that competing brand would also, potentially, dilute a market that is already, I would suggest, fairly fully served by existing providers.”<sup>159</sup>

**143.** Dragonsavers Credit Union said:

“It is not clear what is meant by community bank and what products and services will be offered and what internal software capabilities will

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<sup>155</sup> [https://assets.publishing.service.gov.uk/media/55d459a540f0b609ff000003/Quantitative\\_analysis\\_of\\_searching\\_and\\_switching\\_in\\_personal\\_current\\_accounts.pdf](https://assets.publishing.service.gov.uk/media/55d459a540f0b609ff000003/Quantitative_analysis_of_searching_and_switching_in_personal_current_accounts.pdf)

<sup>156</sup> Written evidence - EIS(5)-19-19(p2)

<sup>157</sup> Written evidence

<sup>158</sup> Para 323, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>159</sup> Paras 98-99, Economy, Infrastructure and Skills Committee, 19 June 2019

be required to provide these. It may be that there is potential for an existing network (like credit unions) to be supported to provide these products and services or provide shared branching or host a community bank within its network. There is no merit to communities or to Welsh Government in duplicating existing products and services and Dragonsavers would seek to work in partnership and work in a complementary way.”<sup>160</sup>

## Impact on Credit Unions

**144.** James Moore of the CSBA saw credit unions as a “complementary and natural partner” and “not a competitor”, and said that in greater Manchester the credit unions were working with the community banking model: “they’re one of the prime movers behind this, because they can see that it offers things in addition to what they’re doing”.<sup>161</sup> He also saw credit unions as potential customers for a community bank: “every credit union needs a bank, and about half the money that people pay into credit unions, the credit union simply pay it into a bank, and I think a bank like this would be a better option for that”<sup>162</sup>, and also that they could potentially benefit from working together to deliver services like offering mortgages.

**145.** Mark Hooper of Banc Cambria was also very positive about engaging and working with the credit union network in Wales:

“But I think there are real opportunities, and we will start to engage with them more about sharing opportunities for premises, perhaps putting some of these automated ATM machines in premises that they’re paying rent for, so there could be a rental income that goes directly to credit unions and others. We see this as working together. Ultimately, the space that we’re trying to fill is the space that’s been vacated by the big, formerly high street, banks. It’s not the credit union network.”<sup>163</sup>

**146.** Cambrian Credit Union had some concerns about the potential impact of the proposed community bank on credit unions, stating:

“Our ability to serve the most financially vulnerable is underpinned by us serving a wide range of members. Handling members’ benefits

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<sup>160</sup> Written evidence

<sup>161</sup> Para 104, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>162</sup> Para 104, Economy, Infrastructure and Skills Committee, 27 June 2019

<sup>163</sup> Para 107, Economy, Infrastructure and Skills Committee, 27 June 2019

means that we can lend with more confidence to many who would otherwise have no sources of credit (apart from the most unscrupulous lenders). If a community bank ‘creams off’ some of our members it may have the unintended consequence of making it harder for credit unions to serve the needs of the most financially excluded in a responsible manner.”<sup>164</sup>

**147.** These concerns are shared by a significant number of credit unions. After Banc Cambria gave oral evidence to the Committee, the Chief Executive of Cardiff & Vale Credit Union, Leanne Herberg, wrote on behalf of a group of 11 Welsh credit unions to highlight their concerns. These include the fact that Banc Cambria’s intention to provide personal loans on a cooperative model basis would be “in direct competition” with credit unions, and that it would “directly threaten the future sustainability of the credit union network in Wales”.<sup>165</sup>

**148.** The letter highlights issues to be taken into account by the Committee in relation to the Banc Cambria proposal, including:

- Credit union loan interest rates are capped by legislation, and there is further regulation controlling the types of investments that credit unions can make. Therefore the credit union delivery model is inevitably run to tight margins, and vulnerable to wider market forces;
- The majority of loans from credit unions are issued in values under £2,000, where there is otherwise a gap and failure in the market, however credit unions need and depend upon larger value loans, in order to make their business model sustainable; and
- The introduction of a co-operative model offering both bank accounts and personal loans is likely to attract the same profile of borrowers that credit unions depend on to provide the mid to higher value personal loans which subsidise the offer [of] lower value loans, which are so critical in ensuring that people in Wales can access affordable credit.

**149.** The letter concluded:

“We are committed to keeping an open channel of communication with Banc Cambria, but we wish to make it clear to the founders and the Welsh Assembly committee that at present, we see the plans as potentially detrimental to the long term sustainability of credit unions,

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<sup>164</sup> Written evidence

<sup>165</sup> Written evidence

by moving into the space of the co-operative provision of personal loans and payroll savings. We plan to make further representations to Government and stakeholders on this.”<sup>166</sup>

**150.** In written evidence submitted to the Committee, Welsh Ministers noted that the proposal was being led by stakeholders, and that “Banking professionals working within the Development Bank of Wales will support this work providing advice and guidance where appropriate and ensuring that the creation of a Community Bank integrates with existing financial institutions including the Development Bank and Credit Unions”.<sup>167</sup>

**151.** When asked in Committee about credit unions’ concerns about losing members to a new community bank, the Deputy Minister for Economy and Transport said that the relationship between a new community bank and credit unions was “a matter for them”, but conceded that “there are some dependencies here and some potentially clear unintended consequences if we proceed in a way that isn’t thoughtful”.<sup>168</sup>

**152.** Duncan Hamer pointed to the importance of collaboration, citing the example of Silicon Slopes, a non-profit organisation supporting a start-up and tech community in Utah: “their guiding mantra is that there is no competition in community building”. He said that a community bank “can’t replace what the high street banks have taken away” and had to think differently: “so sharing public space, working with credit unions, working with the Post Office. I think it really needs to be that sort of collective impact and focus to have any chance of being feasible...”.<sup>169</sup> The Minister for Housing and Local Government described an “ecosystem” with a community banking facilities looking different in different parts of Wales, with the community playing “a significant role in what that looks like”.<sup>170</sup>

**153.** The arguments presented in favour of a community bank for Wales are compelling and it is clearly Welsh Government policy to support the idea in principle, because of the perceived benefits of a new banking model to fill the gap left by the former high street banks. However, the Committee received strong evidence of the challenges of setting up a community bank. These included the capital and liquidity requirements, the regulation, the skills requirement, the

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<sup>166</sup> Written evidence

<sup>167</sup> Written evidence EIS(5)-19-19(p2)

<sup>168</sup> Para 56, Economy, Infrastructure and Skills Committee, 3 July 2019

<sup>169</sup> Para 57, Economy, Infrastructure and Skills Committee, 3 July 2019

<sup>170</sup> Para 58, Economy, Infrastructure and Skills Committee, 3 July 2019



timescales needed, how to establish trust in a new banking proposition and ensure take-up, and the risk appetite of potential investors. The Committee notes that community banking in the UK is still uncharted water as no banking licence has been granted yet. It is also vitally important not to re-invent the wheel, as evidence from existing mutual building societies, credit unions, post offices and the community points to important opportunities for collaboration and partnership to bridge the gaps in banking services.

**154.** The Welsh credit unions also point out that they deal with challenging and vulnerable clients that other banks won't or don't want to work with. There remains a question as to whether a community bank could adequately serve these customers without endangering current provision through the credit unions themselves. There is also a question about the extent to which the CSBA "bank in a box" model of Banc Cambria can fill the existing gaps. It appears it will offer a limited number of "face-to-face" branches and it is not clear how the automation element will help meet the needs of older, disabled and vulnerable customers.

**155.** The Committee was also keen to understand the Welsh Government's appetite for risk in relation to the Banc Cambria proposal, which has a significant long-term capital requirement. In undertaking the due diligence process, even in relation to providing initial seed finance, it is important that the financial and reputational risks of supporting the project have been fully understood.

**156.** Even if all the barriers are overcome, evidence provided by those in the financial sector suggests that the timescales for setting up a community bank in Wales are also ambitious if not unrealistic.

**Recommendation 13.** The Welsh Government should:

- Provide assurances that the due diligence process for supporting the Banc Cambria community bank included a rigorous assessment of the impact this could have on the credit union sector, and set out how it will mitigate potentially negative impacts in consultation with that sector;
- Detail its strategy for managing the ongoing risks associated with putting public money into the un-tested Community Savings Bank Association banking model, and clarify the level of future support it anticipates offering the community bank;
- Confirm the timescales for delivering a community bank for Wales; and

- Confirm whether it is confident the Banc Cambria proposal will meet the evidenced desire for physical face-to-face banking services for elderly, disabled and vulnerable customers.

## 10. Financial Hubs and Collaboration

**157.** Several of those who responded to consultation proposed the Idea of financial “hubs” to improve access by focusing services in one place, and promoted the idea of collaboration to deliver banking services, including further development of the credit union sector to fill some of the gaps. UK Finance also described an “ongoing pilot” of a shared banking services “hub” for SMEs to deposit takings outside office hours.<sup>171</sup>

**158.** As well as noting calls for partnership working to improve access to banking, the Committee was struck by the partnership approach of building societies to maintaining their presence for members, for example in addition to its own branches, the Principality Building Society also partners with other businesses to provide “agency” services within those business premises. The importance of partnership working to develop existing provision and ease the access to banking crisis was an important message emerging from the inquiry.

**159.** Cambrian Credit Union, the largest credit union in Wales with 12,000 members across North Wales and Powys, set out a compelling argument for a more collaborative approach to providing banking services to the financially excluded. Its written evidence calls on Welsh Government to consider and learn from the Department of Work and Pension’s attempts to build the capacity of credit unions through the Credit Union Expansion Project (CUEP), a strategy it says was “heavily influenced by the professional bankers advising the project” whose “default mindset” was that credit unions should be more like banks. It said that the “fallacy” underlying this thinking is that the banks do not set out to serve anyone and everyone:

“They pick and choose the customers they serve and how much they charge them in order to maximise their profits. Such a selective approach is fundamentally at odds with the principles of a community credit union. A consequence of the banks’ approach is that for many years current accounts were not available to the most needy in society (for example those most dependent on benefits) and banks had to be forced by the government to offer basic bank accounts to all. Even now there remain barriers in place which exclude those on the edge of society from even this basic service. These barriers include lack of a

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<sup>171</sup> Para 68, Economy, Infrastructure and Skills Committee, 19 June 2019

settled address, not being on the electoral role or inability to provide photo ID.”<sup>172</sup>

**160.** Cambrian Credit Union said people are being excluded from the banking services they need (e.g. by rural branch closures) because traditional banking is failing them and that “the solution to the problem is not more of the same failed solution (no matter how ethically structured and motivated the bank might be)”. Solving the problem requires “a different mindset and approach”. It points to the suggestion by the Access to Cash review report that the government, through its regulators, should ensure that banks and other providers can collaborate and work together to reduce costs:

“One approach that the Welsh Government might consider is support for initiatives that enables a wide range of banking services to be delivered through a variety of physical channels. The Post Office already handles transactions for several banks. The possibility of other outlets (e.g. convenience stores, local authority one stop shops, community based social enterprises) being able to deliver similar services for a wider range of providers (and products) could be explored.”<sup>173</sup>

**161.** Alzheimer’s Society Cymru said it “would like to see a Wales in which, in order to maintain trust and recognition for their customers, financial services should work with shops and other community businesses where possible to retain their presence on the high street and remain accessible to everyone in the community, where possible co-locating services”.<sup>174</sup>

**Recommendation 14.** The Welsh Government should actively pursue other collaborative ideas for delivery of banking services, including through partnership arrangements, alongside its support for the Banc Cambria community banking model. Its criteria for supporting proposals to improve access to banking services should have a strong emphasis on guaranteeing greater financial inclusion.

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<sup>172</sup> Written evidence

<sup>173</sup> Written evidence

<sup>174</sup> Written evidence

## Annex A: Witnesses

Date	Name and Organisation
5 June 2019	Steve Hughes, Principality Building Society Julie-Ann Haines, Principality Building Society Tom Denman, Principality Building Society David Critcher, Principality Building Society Jamie Pike, Principality Building Society Gareth Franks, Nationwide Building Society Tim Hutchings, Nationwide Building Society Scott Couldridge, Nationwide Building Society Claire Hanney, Nationwide Building Society
13 June 2019	Thomas Docherty, Which? Sue Jude, National Federation of Sub Postmasters Greg Lewis, Post Office Ltd Michael Norman, Post Office Ltd
19 June 2019	Eric Leenders, UK Finance Chris Larmer, Co-Operative Bank Cllr Matt Brown, Preston City Council Llyr ap Gareth, Federation Small Businesses Adrian Greason-Walker, Wales Tourism Alliance
27 June 2019	Mark Hooper, Banc Cambria James Moore, Community Savings Bank Association Chris Hemsley, Payments System Regulator David Pickering, Lending Standing Board Valerie Billingham, Age Cymru Derek Walker, Wales Co-operative Centre Lee Phillips, Money Advice Service Valentine Mulholland, Money Advice Service
3 July 2019	Julie James AM, Minister for Housing & Local Government Lee Waters AM, Deputy Minister for Economy & Transport Maureen Howell, Welsh Government Duncan Hamer, Welsh Government Steve Mallinson, Celtic Credit Union Julie Mallinson, Celtic Credit Union Daniel Arrowsmith, Association of British Credit Unions