HOUSE OF COMMONS

Treasury Committee

Oral evidence: Retail Banks, HC 220

Wednesday 20 March 2024

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Watch the meeting

Members present: Harriet Baldwin (Chair); Mr John Baron; Dr Thérèse Coffey; Samantha Dixon; Dame Angela Eagle; Drew Hendry; Keir Mather; Dame Siobhain McDonagh; Anne Marie Morris.

Questions 82 - 179

Witnesses

I: Charlie Nunn, CEO, Lloyds Banking Group; Vim Maru, CEO, Barclays UK; Mike Regnier, CEO, Santander UK; Paul Thwaite, CEO, NatWest.

Examination of witnesses

Witnesses: Charlie Nunn, Vim Maru, Mike Regnier and Paul Thwaite.

Q82 **Chair:** Good morning and welcome to the final Treasury Committee evidence session on retail banks. We are joined today by UK CEOs from four major high street banks in our all-important banking sector. I am going to start by inviting our witnesses to introduce themselves.

Charlie Nunn: I am Charlie Nunn, the chief executive officer of Lloyds Banking Group.

Paul Thwaite: I am Paul Thwaite, chief executive officer of NatWest Group.

Mike Regnier: Good morning, everyone. I am Mike Regnier. I am chief executive officer of Santander UK.

Vim Maru: Good morning. I am Vim Maru, CEO of Barclays UK.

Q83 **Chair:** It has been just over a year since we last saw your organisations in front of this Committee. At that time, you were preparing for the implementation of the consumer duty to be put in place by the end of July. You were working hard on that. Now that we are a few months into the consumer duty, how have you changed your businesses? What difference would our constituents be seeing in their lives from this consumer duty, Charlie?

Charlie Nunn: Thanks for having us back this morning, Chair. As you say, we implemented the first stage of consumer duty in June last year. That was focused on new products, products that customers were buying on the front book, as we would call it, not existing relationships and existing customers. That next stage is happening in July this year, so it is at early stages. We are focused on making sure we are bedding down what we have done in June last year and implementation for June this year.

In terms of the kinds of changes that we put in place, as you know, the focus was on ensuring that customers have good outcomes, not just from the point at which they first build a relationship with us, but on an ongoing basis. We put in place a large number of changes, but, for example, made it easier for customers to see terms and conditions and understand the products they had in place. We looked at how we engage customers and onboard them and make sure they understand the services they are having. We have put in place enhanced communications to ensure that customers are using products safely.

As an example, we knew that customers of credit cards would sometimes use their credit cards at ATMs and get charged higher fees, so we did additional disclosures to make sure customers are really aware about those fees. We have been tracking whether customers are reducing their usage, for example, of credit cards in those moments. Then we have put in place a whole set of information so that our teams can make sure customers are getting the right outcomes. If we see areas where we are concerned about those outcomes, we are doing proactive outreach to customers. That has been really helpful, given all of the challenges our customers have had in the last 12 months around things such as cost of living.

Q84 **Chair:** I am sure we will come back to what those areas are. Paul, congratulations on your appointment. What are you doing differently for our constituents since the consumer duty was rolled out for new customers?

Paul Thwaite: Thank you, Chair. I am a big supporter of consumer duty. The principles and key objectives of consumer duty are very aligned with how I want to lead the bank. We have invested in extensive training for our colleagues to make sure they all understand consumer duty, its principles and the importance of good customer outcomes.

In terms of changes specifically, a lot is similar to what Charlie discussed. We have invested a lot of time in improving communications and the customer experience, often spoken about in the context of customer journeys, so making sure the journeys for customers are very transparent and clear. We have reviewed all of our on-sale products, which is about 300 products, from the perspective of consumer duty to make sure they are driving good customer outcomes. We have also reviewed our off-sale products, which is around 200 products. There has been quite a lot of review, a lot of communication and a lot of training for our colleagues.

Q85 **Chair:** Is there anything different from you, Mike, at Santander?

Mike Regnier: It is a very similar approach to what Charlie and Paul have just described. The most important thing for us is looking at the outcome that customers are getting from the products that they have and the service that we provide for them. We have looked at all of our products, as has already been mentioned, to look at the outcomes that they are delivering and all of the processes, particularly for vulnerable customers. We have looked at the processes and whether the service that they are receiving is what we were expecting.

I will give a couple of extra examples to add on to the ones that we have already heard. We have definitely done a lot around training. We have done a lot around making sure that customers get more information and making sure they really understand the information they are getting as well. I have a couple of examples. Charlie talked about customers with credit cards taking cash out of ATMs. We have done a lot of work, for example, with persistent overdraft users, who potentially might be better off consolidating that debt into a lower-cost form of debt in a personal loan, for example. We wrote to several thousand customers to say, "This might be a better solution for you". We have seen quite a good take-up of that.

Examples such as that have been quite common for us. We have also done a lot on looking at outcomes more generally. We have already been doing an awful lot of work as banks on looking at root causes of complaints. That has been something that has been well embedded for years, but we are doing a lot more. For example, we are looking at the root cause of cancelled products now. A customer takes a product and then cancels it. We are trying to understand why they did that. Was that because it was not suitable? Was that because it did not meet their expectations? Again, that gives us insight into product design, how we communicate at the point of sale and the follow-up communication that we are doing. It is more information to help us make better decisions on a day-to-day basis.

Q86 **Chair:** Vim, has Barclays done anything different from those examples?

Vim Maru: There are very similar themes. I would pick out four additional points. One is a lot of focus on training from a cultural perspective, making sure that customers are at the heart of our thinking and decision-making.

Secondly, around product simplification, we are trying to make our products simpler. We have reduced the number of products on sale to simplify that. That is also in advance of the closed product work that we need to do by July.

The third is around communications. One big change from consumer duty was that there was a lot of focus on consumer disclosure in the past. Consumer duty moves more focus on to consumer understanding. We have done a lot of testing of our communications to make sure that customers understand what we are communicating.

Finally, on data and MI, there are dashboards now in place where we will learn. Consumer duty is a beginning of the process from July last year. We will keep learning, looking at the data and dashboards and taking actions from complaints, but also many other aspects in our dashboard around how people are using our products and services.

Q87 **Chair:** It sounds like, from all of your organisations, there was a lot of change and that Parliament asking the regulator to look into this consumer duty has generated some different behaviours from your organisations. I guess my next question is whether you think you have had enough clarity from the regulator as to what successful implementation of the consumer duty looks like. Would you say that you have now done it? Has the regulator been clear enough?

Paul Thwaite: Over the course of the last 12 to 15 months, there has been very proactive engagement with the FCA and the regulator. There have been very helpful forums where banks can raise questions or concerns and seek clarity. The clarity has improved over that period. I am pleased to say that there still is opportunity to liaise with the FCA, both from the top of the FCA and with the working groups. My teams spend a lot of time with the FCA. The FCA have visited our teams, both in London and in Edinburgh. That is an opportunity to ask questions where further clarity is needed.

As Charlie alluded to, we are in many ways halfway through the process, so that engagement will need to continue because there are still questions of clarity that I think will emerge over the course of the next 12 months as we learn more in terms of customer responses and, as the chief executive of the FCA said last week, to make sure there are not any unintended consequences. We are all very mindful of that. The principles are very sound. We need to ensure there are not any unintended consequences around reduction of product availability.

Q88 **Chair:** Speaking of unintended consequences, you are all agreeing that you have had enough clarity. Does anyone want to take a different tack from Paul?

Charlie Nunn: No, not a different tack, but I started by saying that we fully agree with the direction of travel, but it is early days and it is a principles-based regulation. In terms of some of the things my colleagues have talked about, Vim was talking about the MI we have, so we can really look at how customers are responding to what we are doing. We are making sure the outcomes are good.

Chair: MI is management information.

Charlie Nunn: Yes; apologies, Chair. That is really important and the spirit of the engagement that Paul talks about with the FCA needs to stay very open. As we go forward, we have to be very sensitive to what our customers are saying, what the ombudsman is saying and how that is feeding back into the interpretation, because it is a principles-based regulation.

Chair: That was going to be my next question in terms of the ombudsman. Vim, you wanted to come in.

Vim Maru: There has been a lot of focus on implementation during the course of the last year. There has been a lot of bilateral engagement that Paul touched on, which has been very helpful in giving us input and guidance. There is the horizontal work that is going to happen, which looks at what best practice looks like in the market and things we can all learn from each other. There are real opportunities; the vulnerable customers review is one example where I think we will find very helpful guidance that will come out of that.

Q89 **Chair:** Mentioning the ombudsman, it is early days, is it not? Have you had any cases go to the ombudsman on implementation of the consumer duty yet? That is still an unopened book as to how the ombudsman is going to interpret cases that it may get about the consumer duty.

In terms of Nikhil Rathi's speech last week, where he spoke about the free-in-credit banking model, I guess it raised the spectre that potentially the free-in-credit banking model, which the UK uses very widely, might change, based on the interpretation of what he said in his speech. Can all of you rule out, over the next year, changing your main current account offer? You are not planning to move away from that free-in-credit banking account model, are you?

Charlie Nunn: We can rule that out for Lloyds Banking Group.

Paul Thwaite: We have no plans to change the free banking model. The point Nikhil was making was a slightly broader one. It is for the banks and market participants to decide what their strategies are around products and pricing. We have no plans to change.

Mike Regnier: We already offer a range of current accounts today. We have basic bank accounts, free versions of current accounts that come with a certain number of features but not everything, and in our range we have a number of paid-for accounts already. They have modest fees each month, but in return you get cashback, interest and things such as that. Free-in-credit, as we all know, is quite a difficult thing to describe, because there are fees associated with accounts, typically for debit card usage or whatever. In our case, we already have a range. We have no plans to do anything different.

Q90 **Chair:** You are not closing that option down at Santander.

Mike Regnier: We have no plans to do that.

Q91 **Chair:** Barclays, you can rule that out.

Vim Maru: Exactly like Mike, we have a range of products and services including free options for customers. It is customer choice which product and service they want to choose. We have no plans to change that.

Chair: That is very clear.

Q92 **Drew Hendry:** Good morning. We have noticed previously that mortgage rates are very quick to rise when monetary policy tightens. Why have mortgage rates gone up so recently when the Bank of England base rate is forecast to come down this year?

Charlie Nunn: As you know, mortgage rates peaked initially at the end of 2022 during the Truss period. Then they fell through last year and peaked again in Q3 last year. We have actually seen them declining from December and they have declined really quite significantly from the peak last year, up to 1.5% for our customers, which was really important, even though the base rate was staying stable at 5.25%. Then in the last month to six weeks, they have gone up slightly again, but not got back to the levels they were at.

Q93 **Drew Hendry:** That is the question. Why has that gone up again?

Charlie Nunn: That is because we have to price mortgages to ensure financial stability based on the forward-looking swap curve; it is the interest rate swap curve, which is linked to the duration of the mortgage. For most mortgages in this country, customers are looking for either a two-year fixed term or a five-year fixed term. We have to price based on the expectations of inflation to make sure that we are not exposing the system to any instability. The great news is that mortgage prices can come down ahead of the base rate. That is what we are seeing. We are still below the pricing we saw at the base rate last year, but we are obliged to respond.

Q94 **Drew Hendry:** Can you explain the lag between the two? You know the rates are coming down. Why have rates gone up and why is it going to take a longer time for them to come down?

Charlie Nunn: Sorry, maybe I was not clear. Mortgage rates came down way ahead of the base rate. In December and January you have seen them come down 1.5%.

Q95 **Drew Hendry:** You have just described them going back up.

Charlie Nunn: They have just gone up again, but not as much in response to that same two and five-year pricing. We have to price based on the risk and the duration of the mortgages, otherwise you would create an instability in the market. We are looking constantly at those forward-looking pricing curves. Those swap rates, as they are called, have increased since January by about 80 basis points, or 0.8%, so we have to put that into the pricing.

It is still lower than it was at the end of last year and it changed ahead of the base rates. What will be really important for our customers, as they look forward, is thinking about how expectations around future rates will change. We all have guidance, which we have used as our macroeconomic forecast around this. Our outlook is that base rates will continue to come down. Our expectation is that the forward curves should also continue to come down, but there will be volatility on that journey.

Q96 **Drew Hendry:** I take it that you will all agree with that. How can you demonstrate to us that the mortgage market is a competitive market that is serving its customers well?

Paul Thwaite: It is a very competitive market. The rate of product and pricing changes in the mortgage market is considerable. You can see that on at least a weekly basis and sometimes a daily basis. I spend a lot of time talking to customers and brokers and they talk about how frequently the rates change. You can see that the margins in mortgages across the majority of the banks are very tight and thin. It is a very competitive market. There are over 100 providers of mortgages. It is a market that is heavily intermediated, so intermediaries will search out the right product and price for their customer. Given the pace of change in rates, to me, that is a very healthy indicator of a very competitive marketplace.

Q97 **Drew Hendry:** You said that it is both tight and competitive there. What percentage of your customers are switching provider at remortgage time?

Paul Thwaite: That varies depending upon which rates customers are rolling off. To put it in context, 91% of our customers are on fixed rates. In this particular year, 250,000 of those customers will roll off those rates. Around two-thirds of customers, from a NatWest perspective, would take a new product with NatWest and others would take a product in the market.

Q98 **Drew Hendry:** About a third would switch. Would that be a common figure for all of you?

Vim Maru: Our pricing is very competitive and therefore we see slightly less than that. People choose to stay with us because our pricing is very competitive.

Mike Regnier: Ours is around a third as well. This is a market, as Paul and others have said, that is largely intermediated. A customer who wants a mortgage will go to a mortgage broker typically; 80% of the market now is driven through mortgage brokers. Those mortgage brokers have access to all of the lending criteria for all of the different lenders in the market, and there are tens of lenders in the mortgage market. They have access to every price for every product that they have that is live at that moment and available for sale to customers at that time.

Their job as an intermediary is to find the best product at the best price, with the best service, to meet that particular customer need. That is a very competitive market set up, because literally a few basis points, so hundredths of a percentage point, can make the difference between whether one lender gets the mortgage from that customer or it goes to another lender. Prices change every week in this market. It is fiercely competitive.

Q99 **Drew Hendry:** Going back to the volatility and mortgage rates just for a second, could the Bank of England have been clearer for you about future monetary policy? Would that have made a difference?

Charlie Nunn: I introduced swap curves, apologies, so it is probably on me to talk about it. Obviously, the Bank of England, or the MPC, has an impact around forward expectations around rates, but the forward expectations around rates are a volatile thing by definition. They are driven by market sentiment and expectations, geopolitics and the political environment.

Q100 **Drew Hendry:** That is understood. Could it have been clearer?

Charlie Nunn: The MPC has been pretty clear around its expectations and that is not what is driving the volatility. In this context, the benefit that we saw in December was largely driven, I think, by the Fed and the US, where it guided towards a significant number of rate cuts in 2024. That made all of the markets in the world think that inflation and rates would come down quicker. That was the really big determinant of what we saw as the volatility down and then the slight strengthening when the Fed changed its guidance around this just in the last six weeks.

Q101 **Drew Hendry:** Let us focus back on customers then. The mortgage charter, which was agreed between you, the Government and the Financial Conduct Authority, has been in force for about six months now. What is your assessment of its performance to date?

Vim Maru: On helping borrowers who are resetting fixed rates, I recognise that interest rates have gone up for them over the last few years. When they come to the end of their fixed rate period, they will see the cost of their mortgage go up. Helping support them has been a really important priority for us.

Q102 **Drew Hendry:** How many mortgages are in arrears? How many people are being prevented from going into arrears by the charter?

Vim Maru: I will try to work through a couple of things, I guess. We have done a lot of work around communications with customers and helping them get on top of things earlier. We have communicated earlier and multiple times to help them prepare for the change that is coming. We have a range of products and forbearance tools, including the mortgage charter, which has helped people to adjust, with interest-only options as well as term extensions. As an outcome of that, we have seen that arrears rates have remained below 1% for us. That is below the market average.

Q103 **Drew Hendry:** What would you add to that, Mike?

Mike Regnier: Our overall level of arrears on mortgage customers is 1.6%, so slightly higher than Barclays. In our case, most of that is driven by lending that was done before the financial crisis, because the criteria for lending then were very different from the criteria that we have used over the past few years. They are now much tighter. We do a much better job of assessing genuine affordability and whether customers can genuinely afford to repay that mortgage or not. If they cannot, we obviously do not lend to them. Most of the arrears is driven by that historical lending, definitely not by the more recent lending.

To give you an idea, last year a proportion of our customers came to the end of their fixed term, because, like other lenders in the UK, 50% of our mortgages are on two-year terms and 50% of them are typically on five-year terms. 90% of our business is fixed rate and only a small proportion is variable. Those customers that came to the end of their deal were typically being offered prices that were higher than they were paying before, because we saw the big increase in Bank rate and the increase in swap rates that Charlie spoke about.

The average increase in monthly payment for customers last year who remortgaged with us was £220, which is a lot for many households. Our job as a lender is to make sure that we are providing support to make sure that we can identify the types of customers that are most likely to be most impacted by that. We can then provide the support that we need to them, such as taking out one of the mortgage charter options. In our case, 10,000 customers have taken one of the mortgage charter options. 90% of those have taken a temporary interest-only extension for a six-month period and obviously some of those customers are now rolling off.

We have been providing support in many other ways in terms of proactively reaching out to those customers. Of the customers who moved last year on to a new rate, which was on average £220 extra a month, only 1% are now behind on their payments, so it is less than the average for the book as a whole. That is partly thanks to this mortgage charter.

Q104 **Drew Hendry:** What more could the charter do to prevent customers from falling into distress?

Mike Regnier: The charter does what it is designed to do. The job that we all do day to day is to make sure that, not only are we there, but we are proactive in identifying which customers we think might need help. In our case, for example, last year we identified 2.5 million customers who we believe might have some characteristic of financial vulnerability. There are lots of different indicators that we use to assess that. We proactively reached out to those 2.5 million customers to say, "This might or might not apply to you, but there are things that we can do to help. If you would like to talk, please ring. That is the most important thing that you could do". As a result, we also saw 330,000 customers look for financial support through our app, which is a new service that we have had in place for only a couple of years.

Q105 **Drew Hendry:** We know that mortgage arrears hit a seven-year high in the final quarter of last year. The last time we had retail banks in front of us, they told us, "The headwinds are ahead of us, not behind us", since many customers were still to remortgage. How many of your customers have now remortgaged and how many customers have coped with the higher interest rates since remortgaging? How have they coped?

Mike Regnier: In our case, as I said, there are those who flipped last year on to a higher rate and the rates last year are higher than the rates at the moment. As Charlie said, mortgage pricing has come off significantly over the past few months. In our case, 99% of customers who remortgaged last year are up to date on their mortgage; 1% are not and some of those we have helped with the mortgage charter.

Q106 **Drew Hendry:** I am specifically asking how they have coped with it. For example, have they switched to longer repayments for their mortgages? Have they moved provider? Have they looked for shorter fixes? What are people doing or what are you doing to help people and how are they coping?

Paul Thwaite: In terms of arrears rates, they have remained very stable over the last 12 months. In terms of the comparison we talk about, for NatWest it is around 0.6% of mortgages that are in arrears. For those customers who require support, 30,000 customers have taken advantage of the mortgage charter. We have been communicating the availability of the charter to our customers. Similar to Mike, the majority of those customers have taken interest-only options. For those customers taking new rates, the majority of customers at the moment are taking two-year fixed rates. When I speak to customers, that is because their belief is that interest rates are going to come down over that period, so they are opting for shorter fixed rates.

Q107 **Drew Hendry:** It is true that the fears about the mortgage charter, that people would switch to interest-only rates, have been borne out. That is what your experience is.

Paul Thwaite: It is important to put that in the context of 30,000 customers for NatWest out of a total mortgage customer number of 1.3 million, so it is a relatively small percentage. It is very important for those customers that the support is there. The charter has provided very important support to those customers, but it is a very small minority of customers who have taken advantage of it.

Q108 **Drew Hendry:** This is my final question for all of you. What are your latest figures and forecasts for the number of repossessions you will be experiencing?

Vim Maru: On repossessions, as you know, the focus that we have just talked about with all the forbearance tools and communications that we are doing is trying to keep people in homes.

Q109 **Drew Hendry:** That is understood. It is a very simple question. I am looking for a simple answer to it.

Vim Maru: It is a last resort. The simple position is that repossession rates are still in single figures a month for us.

Q110 **Drew Hendry:** What are those single figures?

Vim Maru: It is around eight or nine per month or so.

Chair: This is such an interesting area; we may need to follow up and get some data from everyone on this.

Q111 **Mr Baron:** Good morning, gentlemen, and thanks for joining us. The measures you mentioned previously about how you are adapting practices to meet your duties under the consumer duty are very welcome. Am I being uncharitable in suggesting to you that one of the key aspects or factors that would prove that the banks are really taking consumer duty seriously is the rates of interest that they offer on their instant access accounts relative to the Bank of England interest rate?

The latest figures, dated 12 March, suggest that the four banks you represent offer rates between 1.4%—I am just making sure I am not being too uncharitable—and 1.75% for instant access. Interest rates have been 5.25% since August. There seems to be a big gap there. Do you think that that is a competitive rate you are offering?

Vim Maru: The first thing to say is that we have tried to focus our support on those who need it most. We have a large proportion of society in our customer base who are not saving, and those who are do not have very large pots of money available from a financial resilience perspective. We have focused our efforts on helping those in greatest need. We have communicated a lot to our customer base, which is 10.5 million customers. It has been around 10 times for 73% of those customers. As an outcome of that, we have seen that 2 million savers are saving more in the last 12 months. There is a piece around helping our customers, communicating with them, and helping them to save more.

Q112 **Mr Baron:** Can I stop you there? I take all that on board. I think that the increased communication was part of the initial range of answers and that is very welcome. I take your point also about simplifying products. I am not just directing this at you, Vim. I am happy to open this up. At the end of the day, there seems to be a disconnect between the Bank of England interest rate at 5.25%, which has been there now since August, and the interest rates being offered by the banks. You say yourself, Vim, that you are trying to help those most vulnerable, but those most vulnerable probably are better helped if they get a decent rate of return on the cash they are depositing with you.

Vim Maru: What is important is the range of products and services that we offer as well. We launched the Rainy Day Saver for our customers. That is offering 5% instant access for £5,000. That is very much targeted at those in greatest need. When you look across the range of our products that we have, including fixed rate bonds for people willing to tie up the money for a little longer, a year or longer, and the outcome of all that, we are paying our savers seven times more interest in 2023 than we did in 2022.

Q113 **Mr Baron:** I have picked on you a little bit, Vim. Apologies. Let us spread this out a little bit. I still put it to you, though, that there is a disconnect here between the rates on offer, typically—I know that there are pots of exceptions—and your obligations under the consumer duty. Who else would like to come in and say that I am being uncharitable?

Charlie Nunn: Can I give a bit of context? I agree with Vim. The starting point is that 80% of customers have less than £5,000 of savings and 65% have less than £1,000. For those customers, it is about building the saving habit and improving their saving habits. You will probably find that, across all the banks here, there is a savings account for them, specifically focused on those kinds of customers, offering something north of 5%, even 6% in some of our cases, for those customers to build a savings habit. That is the majority of those customers. That is really important.

The second thing that we have seen is most important in helping get the right return for customers is to understand what they are looking for in their savings. There are three things that we focus on. One is transactional capability. The second is liquidity, so access to funds when they need it, and the third is an interest rate. For those who are looking for an interest rate and are not looking for the cost of liquidity or transactional capability, which is a really significant part of how we serve customers, you have various forms of time deposits and then limited withdrawal products.

Those are all higher rates than you laid out. They are all north of 4%. There are products that we have, for example, called a limited withdrawal product, where customers can withdraw 100% of their savings and they are offering much higher rates nearer the Bank rate. The time deposits have typically in the last year been above the base rate.

What we saw last year for Lloyds Banking Group, which was a good example of this, was the same kind of proactive outreach. We contacted 15 million customers and showed them their options. 3.9 million new savings accounts were opened. There was an increase in our savings balances in a very competitive market, so customers are choosing to put their savings with us, and there was a significant movement of customers taking money from their current accounts to their instant access accounts into their higher-return time deposits.

We see it as an incredibly competitive market. As Vim was saying, it is really looking at the customers and what they need to improve their financial resilience and the scope of products.

Q114 **Mr Baron:** Thank you for that. I accept the point you make about competition, but the Bank of England Governor himself said in February, only last month, that, "Bank rate has risen by 5.15% since we started to increase it in December 2021, and on average overall effective rates on interest-bearing deposits have risen by 2.5 percentage points". I take on board the point about term deposits. I take on board that there are these special pots for instant savers to gain access to higher interest rates. Overall, you seem to have lagged the increase in interest rates.

In fact, I could perhaps go a little further and suggest to you that, according to the FCA, it took banks and building societies on average just short of three months in 2022 to respond to the Bank of England base rate increases. I take on board that there are all these little pots and special offers. Overall, the Bank of England Governor is saying that you are still behind the curve, given the extent of interest rate rises. Meanwhile, the time lag has been quite noticeable as well.

It feels, and this is reflected in some of our correspondence we get from our constituents, that the banks have been behind the curve in both offering higher interest rates and the time to get there. These figures would tend to reinforce that, from both the Governor and the FCA. If I am being uncharitable, are you suggesting that they are being uncharitable in their comments?

Mike Regnier: That is a very good question. I completely understand where that comes from. For us, the most important thing to remember is that the Bank rate is an important factor in the economics of banking, but it is not the only factor in the economics of banking. In very simple terms, for all of us sitting here today, most of our funding on the balance sheet comes from retail customers saving with us and most of our lending goes to retail mortgage customers who borrow in the mortgage market.

As we were discussing earlier, mortgage pricing is fixed—90% of our mortgage lending is fixed, so we receive the same interest rate for a period of time, typically two to five years, each month, irrespective of what the Bank rate is. We are committing to the customer that their rate of interest will be fixed for that period of time. That means that, when the Bank rate and interest rates go up, it takes a while for the impact of those higher rates to transfer into greater payments into our business, effectively for mortgage customers, because of that two to five-year lag.

Q115 **Mr Baron:** I worked in the City. I take on board your point about interest rates and instant savings, but often what influences mortgage rates in particular is bond yields. I am not talking about bond yields. I am talking about instant saving accounts, and that has a closer correlation to the current Bank of England rate than, say, mortgage rates, because mortgage rates are having to look out. Here, we are talking about instant savers. I would suggest to you that you are still behind the curve on this or have been behind the curve. That is the impression that has been gained.

Let me put this question another way. It took nearly three months for the interest rates offered by the banks to start moving up after the Bank of England increased its rates. Can savers now look forward to similar levels of responsiveness when the Bank rate is on its way down? You have said yourself it takes time, so it should act in reverse, should it not?

Mike Regnier: I cannot comment on how quickly or the extent to which Bank rate reducing will lead to savings rates coming down.

Q116 **Mr Baron:** That is not the question I asked, with respect. I am suggesting to you that the Bank rate will be falling. It is anybody's guess when, but it will be falling. The general consensus is that interest rates have peaked. I suppose what I am asking is not you estimating when the Bank rate will fall but whether the banks will have similar levels of responsiveness as they did when interest rates went up, that short three months' average delay, so savers benefit when interest rates start coming down. Is that going to be how it is going to work for the benefit of your customers?

Mike Regnier: For instant access customers, we give at least 60 days' notice of any reduction in interest rate, so there will be at least two months, because that is the rules that we have to adhere to. There will be at least two months' lag on any downward rate movement.

Q117 **Mr Baron:** Okay, and maybe even a little bit longer, given how long it took to go up. This is my final question, if I may. The Governor of the Bank of England has also suggested that the low pass rate in part—I am going to come to you if you do not mind, Paul, because I would not want you to feel left out—is perhaps related to the fact that regulation, such as the net stable funding ratio, is trying to encourage more stable deposits, given the past lessons. There has been a move from instant to term, if that makes sense, deposits. To what extent is regulation playing a small part in this?

Paul Thwaite: I have seen the comments by the Governor. There has been a really significant change in customer behaviour over the course of the last 18 months as interest rates started to move up and then accelerated. As Charlie alluded to, we have seen a significant amount of deposits move from current accounts to savings accounts and term accounts. For NatWest, that is 17% of our deposits. There is more liquidity value in respect of fixed-term products that would be there for one year or two years, but I do not think the regulation per se has changed that. I think that it is more influenced by the overall increase in interest rates and the greater awareness that customers have. We have written to 8 million customers on the products and rates that are available.

Q118 **Mr Baron:** Very finally, businesses are also making these comments. There is evidence in the constituency bags again, and businesses have approached me directly. They are having trouble getting decent term deposits from their banks. They can get no more than something like 2% when interest rates are 5%. I would ask you to look at that, please, because smaller businesses in particular need all the help they can get.

Paul Thwaite: On that point specifically, I am very happy to say that there are term products available above 4% for small businesses. Customers are looking at that and taking those products out. Term products are not for every customer, though. Some customers value, as Charlie said, access to liquidity and transactions, but there are products above 4% in the market for small businesses.

Q119 **Dame Angela Eagle:** I want to explore the discrepancies—they are quite large—between all of your performances on authorised push payment fraud prevention. For those watching, authorised push payment fraud, as you will know, is fraudsters who convince account holders to transfer money to dodgy places and then lose all of it. For Barclays and NatWest, the Payment Systems Regulator data generates fraud league tables, which showed that in 2022 Barclays only refunded 70% of authorised push payment fraud and NatWest refunded 62%. You both signed up to the voluntary reimbursement scheme, so why were your repayment rates not much closer to 100%? TSB, for example, is at, I think, 91%.

Vim Maru: This is a really important topic and there are many facets to it. One is reimbursing customers. I am sure we will get on to how we prevent fraud in the first place, how we prevent scams and the role of many parties in this, including the tech platforms, where 85% of frauds originate. The numbers I have for the reimbursements are 82% full reimbursement for 2023 and 12% partial reimbursement, so the vast majority of customers get reimbursed in line with the code that we have signed up to. There are further changes afoot for October this year.

Paul Thwaite: The levels of fraud are increasing and the impacts on customers are life-changing. I have spent a lot of time at our fraud centres and listening to customers who have been impacted by fraud. It is not only concerns around the financial loss, but also the anxiety and lack of confidence that can follow from such an effect, so we take it incredibly seriously.

I am pleased to say that, from the numbers you quote, the numbers changed for 2023 for NatWest. We refunded 92% by volume, so there is a significant increase in terms of the refunds between 2022 and 2023. This is a really important issue because, on average, there is a fraud of £2,300 a minute. That is something that all those involved in fraud, be it the banks, the social media companies, the technology companies or the mobile phone providers, really need to work together on to limit the impact on customers.

Q120 **Dame Angela Eagle:** Effectively, you are saying to us today that there has been a ramping up from 2022.

Paul Thwaite: 2023 figures are higher than 2022, yes.

Q121 **Dame Angela Eagle:** You are doing much better.

Paul Thwaite: Those figures are in the public domain as well.

Q122 **Dame Angela Eagle:** For Santander, the Payment Systems Regulator's published authorised push payment fraud league tables show that you were the second-worst offender of the 14 designated banks when it came to the value of fraud being sent to your accounts. Why do you think that is?

Mike Regnier: Again, those figures relate to 2022 and the figures for 2023 are quite different. In our case, our volume of account push payment fraud is in line with our market share of current accounts. It is actually slightly below our market share of current accounts, so more recent performance has been quite different. Our refund rates are similar to what Vim and Paul just discussed as well.

Q123 **Dame Angela Eagle:** Would you say that what is happening between 2022 and 2023 is that the figures and your focus on them has brought you more together in terms of performance? Do you co-operate on good and bad practice? Do you share information about where this fraud is coming from, or what red flags to look out for, or are you all in your own organisations?

Paul Thwaite: In my view, limiting fraud and economic crime is a team sport. We all work together, appropriately, I should add, to make sure that we can share information where it is appropriate. We do that with UK Finance and between the banks. The targets here are the criminals and we are trying to do everything we can to protect the end customer.

There is only so much the banks can do. It is really important that we also work with the social media companies and the mobile phone providers, because over 80% of the fraud is initiated on social media platforms. The banks can do so much, but we really need to bring the whole variety of sectors together to address this.

Q124 **Dame Angela Eagle:** Are you happy with the actions that the social media actors are taking to identify fraudulent centres of activity and not allow them to operate on their platforms?

Paul Thwaite: There has been progress in terms of trying to address and talk to all the actors in the fraud chain. There has been progress with technology companies and social media companies, but there is more all the participants can do here and need to do to protect customers.

Q125 **Dame Angela Eagle:** The key thing is that a lot of this has come about because of the move online. You will be asked questions about access to banking later. Surely, when more vulnerable people are moved online and they do not really have a choice, you have got an even bigger duty to make certain that they are not conned out of their life savings.

Charlie Nunn: I can respond to that. The starting point is where Paul started, which is that this is harrowing for any customer. I am guessing that we have all spent personal time looking at the individual cases. When I was last in front of the Committee, I think I claimed that this was 40% of crime in the UK. The data I have is now nearer 50%. The absolute laser focus for us—I know it will be true for all of us—is trying to prevent fraud from happening in the first place. That is where your question around the role of the social media and tech companies is so important, because the percentages we all have are very similar. Somewhere between 70% and 90% in any one period is all being sourced there.

There was a really important point in your question just now. I do not think that it is online banking that is the source of the growth of this. In fact, we have seen that it is really two things. It is the growth of social media. When you look at how victims are being affected by fraud, they are being found, targeted and talked to through the telco and social media platforms. Then they are being asked to do something, often through a digital banking channel, which is safer than prior examples.

Some of the patterns we have seen of fraud have been going on for 3,000 years, such as building fraud and people being convinced to go in and take out their life savings and give it to a carer. These are the patterns. It is not actually online banking. In fact, online banking gives us better tools and data to protect customers. It is how customers are being contacted and targeted by the fraudsters or criminals in this context.

That is why I think all of us will sit here and hold arms to say, "We are all committed to what the PSR is doing and the reimbursement scheme, but that is not where the focus should be". Helping reimburse people is important and really important for those victims that we see. It is far more important to stop them becoming victims in the first place. This is not as a result of online banking. It is as a result of the broader system.

I agree with Paul that there has been progress. Some telcos specifically and some tech companies have really made progress. Others are behind. When Anthony Browne was on this Committee last year and was given that new role last year, I am sure that all of us engaged heavily with him and there was real progress in that, but it is not enough. If you could look at the growth in fraud that we are seeing, we really need to work together and have more tools to work with those organisations to help us manage fraud.

Then there are a number of things we are also taking with the PSR and Pay.UK, for example faster sharing of data when we know. Fraudsters are often setting up their accounts not with the high street banks. You have seen the tables showing that some of the smaller payment service providers, fintech companies, are 2,500 times more likely than we are to be setting up a fraudulent account. We are desperate to do more data sharing between us and make that a more real-time thing to protect customers. Of course, reimbursement is important, but you have to look at the whole picture.

Vim Maru: I totally agree with all the things that have been said and so I will be really brief on top. Progress has been made, but a lot of the schemes where all the parties come together are voluntary. What we have to do is mandatory. It would be great to see more progress there.

Q126 **Dame Angela Eagle:** You would like to see more mandatory requirements on the whole ecosystem that we have been talking about.

Vim Maru: Yes, agreed.

Charlie Nunn: That is with a focus on prevention.

Q127 **Dame Angela Eagle:** I wanted to ask one very brief question about our *Sexism in the City* report about sexual harassment, but also about diversity. Have you read it? Are you taking it to your boards? If so, what are you going to do about it?

Paul Thwaite: I have seen the report. We welcome the report. NatWest provided, as I am sure some of the other banks here did, written submissions. I am pleased to say that a number of the recommendations are already in place at NatWest, whether it is parental leave or not asking for salary histories, et cetera. We will be discussing that as an executive team. We welcome the report and hope for positive engagement on implementation of the recommendations.

Q128 **Dame Angela Eagle:** There is a 90% difference in median bonus pay in NatWest between the genders. What are you going to do about that?

Paul Thwaite: You obviously have the numbers in front of you. There have been improvements around the gender pay gap, et cetera. I am focused on making sure that, if you take gender as an example, we are targeting 50% being female at the top three levels of the organisation over the course of the next five years. We are currently at 41%, so we are making progress. As females take those senior roles, that obviously impacts the figures that you spoke about and they will change as a consequence of that.

Q129 **Dame Angela Eagle:** Lloyds Banking Group is 59.4%, Charlie. What are you going to do about that?

Charlie Nunn: Yes, I have read the report and I really appreciate the Committee putting a focus on this. It has been something that Lloyds Banking Group has been focused on since way before my time there. We were the first to set out some of the targets for gender and ethnicity. We recently introduced disability. We take it very seriously. Our board is over 45% represented by women. My group executive committee is over 47%. My top 7,000 leaders is 40.1%. We meet all of the Parker review and the leadership gains. It is not enough, to your point, so we are very focused on how we can continue to make progress.

Q130 **Dame Angela Eagle:** There is a 59.4% median difference in bonus between men and women, even despite all that progress.

Charlie Nunn: I will not go through individual names, but, with respect to bonuses and then the pay gap, there are two issues. Pay gap is slightly different; 56% of our 65,000 colleagues are women. By far the highest percentage of our part-time roles are women and they tend to be more junior. The biggest driver of the pay gap is part-time roles.

The biggest driver of the bonus, for me, actually, is not seniority. It is which roles people are senior in. For example, some of the commercial or wholesale banking roles or engineering roles, which are higher paid, tend to have lower bonuses. That is where we need to continue to work on the pipelines and provide opportunities to make that different going forward. We are focused.

One thing we are quite proud of is that, for example, P&L roles, so the profit and loss leadership business roles, are where a lot of the bonuses are. Three of the six CEOs that report to me are women at Lloyds Banking Group. That is really important because they will also be the most likely to become the future CFOs, chairs and CEOs. We are very focused on it. There is more to do and we welcome the Committee's focus on it.

Q131 **Dame Angela Eagle:** Mike, there is a 46.8% difference in median bonuses at Santander.

Mike Regnier: I have exactly the same reaction to what the others have said. This is a really important issue. It has been a very longstanding issue for the sector as a whole. We were one of the founding signatories of the Women in Finance Charter back in 2016. There is lots that we still need to do to look at not just at how we can make our workplace even more inclusive than it already is—that is something we have done a huge amount of work on and are very proud of—but also finding ways in which we can promote more women, and recruit more women into the sector ideally as well.

If I look at last year, 46% of our promotions were women into senior roles. The process is getting there, but there is still an awful lot of progress that we need to do. Like Paul, we are taking your report to our exco to work out what we can implement quickly to take those recommendations forward.

Q132 **Dame Angela Eagle:** Vim, it is 39.5% at Barclays.

Vim Maru: I would make the same points in terms of focus on it and importance of it. My senior leadership team is 40% women. We are focused on helping close that gap, but also on all forms of diversity, ethnicity being one of them. We will also be discussing that report and thinking of additional ways that we can start closing that gap.

Q133 **Dame Siobhain McDonagh:** I am going to look at the Business Banking

Resolution Service and why it has proved so ineffective at getting compensation for victims who had their businesses, homes and, in some cases, health taken by the unjust actions of Britain's largest banks. My constituent, Mr S, is one of those victims. He is the former owner of a successful club and restaurant business in Chelsea. He had banked with RBS until 1998. In 1998, RBS's global restructuring group was appointed as the receivers and attempted to hijack his property redevelopment to the tune of £4.9 million. Mr S suddenly lost his business of 13 years. He was made homeless, his health suffered and his marriage broke up.

The BBRS was created for people like Mr S to access an independent dispute resolution service to have their complaints investigated, but, like so many others, it has completely failed him. In fact, by 30 November 2022, the scheme had only made 19 settlements in favour of claimants. Would you agree that the BBRS has failed victims? That is to the whole panel.

Paul Thwaite: It is appropriate that I take the first one, but not appropriate that I talk about any specific customers' details in the forum. I suspect that there has been correspondence before, but I am very happy to look at that specific example that you raised there. I will pick up with your office outside of the forum to do that.

Dame Siobhain McDonagh: I am sure that every member of this Committee has had people in their constituency who have had similar.

Chair: We have definitely had evidence that the BBRS has not really solved quite a lot of cases. That is a fair summary.

Paul Thwaite: I have a few things. There is of lot of investment from banks in terms of funding the set-up of the BBRS. The take-up of cases, as you have alluded to, has been relatively modest. From memory, just under 300 cases in total have been reviewed by the BBRS. That is despite relatively significant marketing and making businesses aware of the availability of the scheme, et cetera. There have been other resolution schemes that other customers have accessed. The conclusion has to be that, despite the marketing of the scheme, the perception of the volume of cases that wanted to be heard have not been through the scheme as it stands.

Q134 **Dame Siobhain McDonagh:** Even with the number of cases who have contacted the scheme, the number of people who have received compensation, of those people who have shown up and applied, is very small.

Paul Thwaite: In many respects, that is also for the BBRS to answer in terms of its evaluation of the particular cases. We obviously provide a lot of information on particular cases that it is reviewing. It comes to an adjudication or judgment based on the information that has been provided to them.

Mike Regnier: We have only had 10 cases go to the BBRS and one of them was upheld, so very low volumes and very low demand. In terms of the uphold rate, it is low.

Q135 **Dame Siobhain McDonagh:** It is 10% in your case, yes.

Mike Regnier: Yes, but that is the whole point in setting the BBRS up. It is there to do an independent review of those cases and judge whether it feels that more should be upheld or not. In our case, only one case was upheld.

Charlie Nunn: My response is the same. It is a good point of note and we should take it away and come back with specifics around any recommendations we would make around it. I think that we will all have the same data and the same response. We understand the concerns. That is why, as Paul said, we invested to help set this up in the first place. We realised that it was really important for these customers to have an independent body reviewing this.

Q136 **Dame Siobhain McDonagh:** I will have a question about its independence a bit later. The reason why my constituent was failed was that the scheme excluded claimants who were eligible for previous discredited schemes, like the victims of RBS Global Restructuring Group. Do you agree that the eligibility criteria for the scheme are too narrow and that it has missed the opportunity to provide justice for those victims? I am sorry, Paul. That is going to be to you.

Paul Thwaite: My understanding is that there was a lot of discussion at the establishment of the independent scheme to make sure the scope was appropriate. It was agreed by a number of different parties. It sounds like that case that you are quoting fell outside the agreed scope for the scheme.

In the majority of instances, from memory, the scope was specifically because other cases had been heard through other schemes. I do not know whether that is the case in that specific example, but that was generally the reason for exclusions of scope.

Q137 **Dame Siobhain McDonagh:** How many victims were there of the RBS Global Restructuring Group scandal? Of those, how many are yet to receive compensation?

Paul Thwaite: I would have to revert separately on some of the specifics around the GRG scheme. In the very long past, there has been a specific Committee hearing on that particular issue. I am very happy bilaterally to share—

Q138 **Dame Siobhain McDonagh:** Yes, would you let members of the Committee know?

Paul Thwaite: I can let the Committee know, yes.

Q139 **Dame Siobhain McDonagh:** That is great. It is nothing personal, Paul. I hope you understand that. Lots of colleagues have called into question the independence of the scheme, given that it is a voluntary bank-led and bank-funded redress scheme. When your colleague Andrew Harrison gave evidence to the Committee, he told us that the scheme was independent of the participating banks. Having spoken to experts in the field, I am not sure that is quite right.

The eligibility criteria for the scheme could not be altered without the agreement of a company called Resolution Service Appointed Member Ltd, whose directors are representatives of the participating banks. Do you accept that Mr Harrison is a director? Would you write to us to see whether the Committee has been misled?

Paul Thwaite: I am very happy to write to you. I do not know whether Mr Harrison is a director of the company, but I am very happy to take it away and provide that clarity, which it is absolutely fair that you ask for.

Q140 **Dame Siobhain McDonagh:** Charlie, just like RBS's Global Restructuring Group scheme, the scheme's eligibility criteria explicitly excluded claimants that were eligible for previous discredited schemes, like the one headed by Russel Griggs for the HBOS Reading victims.

As members of the Committee will know, Halifax Bank of Scotland, now part of Lloyds Bank, was involved in a major fraud at its Reading branch in the early 2000s. It took several forms, including imposing turnaround consultants Quayside, which then charged exorbitant and made-up fees, abusing overdraft facilities and using what could be described as unprofessional bullying tactics.

Do you accept that this constitutes a missed opportunity to provide justice for those affected? Do you recognise that it points to a need for a statutory scheme based on tribunals?

Charlie Nunn: I just have one point on the previous question. Banks fund most of the regulators and most of the independent bodies. We need to look at funding separately from whether we have the right governance. That is a really important point.

On HBOS Reading, let me just take a start on this. First of all, I have apologised in my role, and I will continue to apologise, to the victims of the HBOS Reading scandal. We had two employees who were found to be criminal and who are or have been in prison. I am incredibly sorry for the effect it has had on those customers and the fact it has taken a long time to get to a point where we are trying to provide closure.

As you said, there have been multiple independent reviews. We still have two independent reviews going on with respect to HBOS Reading. They operate incredibly independently, as would be appropriate. Hopefully you would support that. The one that is focused on trying to get complete closure on the approximately 200 victims—it is just over—that we still have outstanding is being led by Sir David Foskett. That is making progress. I would say it is good progress, but that is very qualified, recognising that it is 15-plus years since some of these events happened.

In the last 18 months, more than 90% of the victims have a status recommendation from that independent panel. There is a fixed-sum award of £3 million available to those who have been victims of this fraud. If they are not comfortable with that, they can reapply to have their case individually seen by that independent panel.

I remain incredibly humble and sorry about what happened. We now have an independent panel that has made progress. It is providing clarity and it is providing a material level of redress to those customers who are found to be victims. For those cases which are very complex and long-standing, you need that level of investment and focus. A body like that is what was needed in this case.

Q141 **Anne Marie Morris:** Thank you for being here today. I am going to turn to the issue of bank branch closures and banking hubs. The number of branches has fallen to a level where we have less than half the number that existed in the 1980s. The rate of closure has been accelerating. We understand that it is now going to slow down. Most of your customers are perplexed and do not feel like they have any idea when these cuts are going to stop. They do not understand how decisions are being made.

If you look at how the cuts have been made, in the south-west, which is of great interest to me, since 2012 we have lost 45% of our branches. London has the highest per capita rate of bank branches. There seems to be no logic.

Customers are very concerned. They also do not feel engaged in these decisions. Letters go to the MP, if I am lucky, and some of the key stakeholders, but there is no consultation with the community. Clearly, you are private businesses. You have no obligation, but you are regulated by the FCA and you now have a consumer duty. It seems to me that that ought to change the dynamic. I would like to know at what point we are going to have an end to branch closures and whether or not this consumer duty will lead you to better engage with communities.

Finally, on hubs—I will put them together because it is relevant—the promise from all of you has been that when the branches go there will be consideration and in many cases implementation of a hub. That hub policy is fundamentally flawed. It was under-resourced. There are not enough people; there is not enough money.

If you look at the places where hubs are being established, LINK and Cash Access cannot find sites that are suitable. We have one hub in a public lavatory. I hope you are not proud of that. Right now 33 are open, but there are 109 for which there is absolutely no hope, certainly with the existing criteria, of opening within the 12-month period post-closure of the last bank standing.

Charlie, I have written to you personally about all of this. My branch in Teignmouth will be closing. There is no site identified. Yes, some have been surveyed. The chances of either a temporary or a permanent hub being established by July this year are infinitesimally small. You have not been prepared to look at extending the opening of your branch. You have no legal obligation to do so. Your reply to me was that you would work with Cash Access. Cash Access does not have the people or the money. It cannot magic properties out of nowhere.

I am going to start with you, Vim. I would like you to tackle the branch closures because your bank has closed more branches than others in recent history. When is this going to stop? Are you going to engage with the community to meet your consumer duty rather better? Then I am going to come to Charlie. I would like to know about extending beyond the 12 months and what plans you have with regard to ensuring a hub is in place.

Vim Maru: These are all very important topics. Let me start with looking at what has been happening from a consumer behaviour perspective. If we look at it over the last five years, branch usage is down 65%; app usage is up 120% over that period. We have been responding to the behaviour shift in consumer demand and expectations. I will come specifically to the points that you raise. As we have done that, we have increased the investment in some of the digital capabilities that our customers are demanding of us as well.

I fully recognise that there are groups of customers that want face-to-face access. Therefore, we have invested more capability and capacity into something called Barclays Local. We do have colleagues in local communities. We are in 380 communities. We have continued to support Cash Access. We are at about 40 hubs. Certainly, the latest data I have seen is that we will have 100 hubs by the end of this year. We continue to support that as well.

As you have just pointed out, setting up a hub requires us to find a site, to get the premises on board, to get the planning permission and to fit it out. If we are closing a branch and a hub has been found to be needed, we have committed not to close the branch until a hub is put in place or an alternative—

Q142 **Anne Marie Morris:** What about if it is more than 12 months?

Vim Maru: Even if it is more than 12 months, we will not do it unless an alternative is found in the meantime.

Q143 **Anne Marie Morris:** What about the consultation and the overall end game? What you are telling me is already well known and on the record. I need to know when the bloodletting will stop. When will we know that we have got to the end? When will we have got to the end of the cull? Are you going to engage with local communities in a way that heretofore you have not?

Vim Maru: Our strategy is to increase our local presence. We will have 900 touch points—that is the commitment we have made—by the end of this year. We will have more touch points.

Q144 **Anne Marie Morris:** What is a touch point? Is it a hub?

Vim Maru: A hub, a branch or Barclays Local will be the touch points. Barclays Local is our colleagues using various facilities in the community—libraries and the like—to help make sure we are close to communities.

Q145 **Anne Marie Morris:** Will you consult with communities? Many communities find what you are suggesting inadequate for their needs. There are big differences in coastal rural communities as compared with inner-city communities. Are you going to engage with those communities when you make those decisions?

Vim Maru: We continue to listen to customers as we make decisions. We also look at the data to see how branches are being used and work out what is the best approach to help serve the customers in those local communities, whether that is via Barclays Local, a branch or a shared hub. LINK does the work to look at the right approach for each of those communities. The data is shared with LINK, and it works out whether a hub is appropriate or not. Cash Access then implements that.

Q146 **Anne Marie Morris:** I appreciate what you are telling me, but that is already on the record. I have heard about engagement. I have not heard anything about consultation. I have still not had a reply as to when the bloodletting will stop. However, I am impressed that you are going to keep your branches open until a hub is in place. Let me then turn to Charlie. Are you prepared to make the same commitment?

Charlie Nunn: I will not go through all the context that Vim has. There are two other important points, though. We have 1,010 branches, which is by far the biggest branch network in the UK.

I did get a briefing on your specific branch and I do not have it with me. If I can come back to you directly, there is some news that we can share. Apologies; I do not have it to the top of my mind. I will come back on the branch you mentioned.

We have over 1,000 branches today. In terms of the dynamics that Vim was talking about, we have had a more than 50% reduction in the last few years alone. You talked about a 50% reduction since the 1980s. The really important point is we are guided by our customers. Collectively and individually, we are investing significantly in the Post Office. There are 11,000 post office locations and 37,000 free ATMs.

When we talk to our customers, advice and support around key moments is important, but increasingly our customers can get better advice on the phone or digitally because we can give them access to a more qualified individual. It is cash that is the complex part, which is why Cash Access UK and the focus around cash access is important. We are investing significantly in the Post Office, ATMs and banking hubs.

I only give that context because it is so important that we do what our customers are asking for. When we look across, for me, our 26 million customers, which is half the adults in the UK, the data shows that the vast majority are choosing to work through different channels and have very specific issues.

Anne Marie Morris: This reminds me of the consultation at First Great Western. They asked passengers whether they would prefer to have an at-seat service. They did not say, "You are also going to lose the main café on the train". If they had asked the question in that way, the answer would have been, "We want both, please".

Your analysis is, I am sure, right for a significant chunk of customers, but there are others who want not just cash, but financial advice and support. I am very concerned that there seems to be a sense that, because we have the cash access obligation from the FCA and the legislation, that has been the prime focus.

The branches provide something really quite different. I am quite frustrated when I look at the hubs. If I go on the Cash Access site, which sets out for each bank what they will offer in those hubs, it is completely disconnected. It is nothing like what used to be offered in branches. When I look at that offering and I talk to Cash Access about the challenge of establishing these hubs, it tells me that, because your systems are so different, one of the problems is that they cannot set up a printer which will work for all four of your different systems.

There is something here about the way you are looking at these hubs. You are looking at cash and not the rest of it. You are not working together to look at how you can bring in something that works in an efficient way, given your different technologies. Maybe I can ask you, Mike.

Chair: This is a very important point. You are hearing the strength of views from the Committee on this subject. I do send a message to all of you to go back and make sure Cash Access and the whole process of banking hubs is working effectively. From our point of view, it is not. Is that a fair summary, Anne Marie? I am going to bring in Thérèse on the same subject.

Q147 **Dr Coffey:** Mr Maru, in October 2013 you had 1,577 branches. How many do you have today?

Vim Maru: We have around 300 branches today.

Q148 **Dr Coffey:** That has gone down from 346 in October. I know two more have already closed in my constituency since then. Another one is about to close in May. Can I ask the same question of the three other banks, please?

Mike Regnier: At Santander, we have 444 branches. Last year we refurbished 49 of those and we opened three new work cafés, which are—

Dr Coffey: I do not need to know about those other things.

Mike Regnier: We have 444.

Paul Thwaite: We have 553 branches. We also have 41 mobile branches that cover 600 different communities across the regions and countries of the UK.

Charlie Nunn: We have 1,010 branches after the announced closures. We have more than that today. That will take the rest of this year. We have 150 community bankers.

Q149 **Dr Coffey:** *The Times* and *The Sunday Times* are wrong. They say you have 599 branches as of October 2023.

Charlie Nunn: Yes, they are wrong. They are probably talking about one of my brands. I represent Lloyds, Halifax and Bank of Scotland. We are the biggest bank in the UK. We have 1,010 branches. We also have 150 community bankers that operate in the same way that Vim talked about, which is an important model for getting the right support for customers.

Q150 **Dr Coffey:** Can I ask each of you how many you are intending to close within the next 12 months?

Charlie Nunn: My number includes those announced.

Q151 **Dr Coffey:** How many more do you anticipate? I do not need to know the locations, but you will know how many branches you are closing. You will have a running list of about 12 months ahead.

Mike Regnier: We have no plans to close any.

Vim Maru: We have announced around 50 branches for this year, but I will write to you to confirm the exact number this year. As I said, we are increasing the number of touch points, so we will have 900 by the end of this year.

Q152 **Dr Coffey:** That was not my question. I have had complaints in my own constituency in Woodbridge of touch points being not particularly private when you go to discuss things. They are in a garden centre. They wait outside in the rain. There is a combination of factors and some things that are not working. I have to say that they did not listen to feedback.

I want to understand the criteria you are using at the moment. I am focusing on Barclays in particular because—I have said this publicly and I will say it again to your face—you are shameless and shameful in your approach to your customers. The majority of your profit in the UK now comes from retail banking. It really does indicate that you do not care.

What has happened in terms of the information? You used to provide more detailed information when you said you were closing. For example, for Leiston it says that 64% use the branch regularly and 80% use the branch and use other access. That is not a lot of information to share. What are the criteria for closing banks? I am happy to hear from each of you.

Vim Maru: I will start. We look at many measures. We probably look at around 100 or so data points. People visit local communities. We look at the various criteria for that. That also helps us to work out whether a Barclays Local would be helpful for face-to-face advice and guidance.

I take your point about feedback. I will look into that when I speak to my colleagues. They are very excited about the opportunities for Barclays Local to help to serve communities. That all goes into the shared hub discussions as to what would be appropriate for the community.

We look at many data points, including the feedback from customers and the hard data around usage that you have just touched on.

Q153 **Dr Coffey:** As it stands, less and less information is being given to customers to justify why bank branches are being closed. What is the change? It has changed within the last 12 months.

Vim Maru: I am not aware of any change; I can go away and look into it.

Q154 **Dr Coffey:** It is on your own website. There is a much more simplified version of what gets given out. My understanding is that the information goes to the FCA, but it is considerably different. If I give you the example of Felixstowe, which closed in June 2022, it started talking about number of heavy users. Over 1,000 people were considered to be heavy users. That is why I am trying to get an understanding of what are your criteria on why a branch should close.

Vim Maru: I will look into that and see whether there has been any change. I am not aware of any information reduction.

Q155 **Dr Coffey:** I can assure you that there has been. It is on your own website. It is different. I wonder whether any of the other chief executives will share the criteria with us. Mr Nunn, I have heard you talk about how you listen to your customers. I am presenting a petition about the closure of Leiston bank tonight. It has been signed by about 3,500 people in a combination of online and written.

Charlie Nunn: I am not trying to obfuscate to the Committee, but we do have a long list of criteria. We look at transaction and usage behaviours, feedback from customers, what we think the community needs and what the alternatives are for meeting those needs through alternative mechanisms. As you say, some of those have very strong oversight and scrutiny from both LINK and the FCA. I would happily share that.

Q156 **Dr Coffey:** LINK does not scrutinise anything. LINK is not there to scrutinise whether you close branches. Let us be clear about that.

Charlie Nunn: The other point that may be helpful—tell me if you disagree—is that this has been happening for over 20 years. When a branch is closed, we do very close monitoring to ensure that we have an alternative way of servicing customers' needs, what their usage of the alternative channels is, whether we see any customers moving away from us and what feedback we have. We track customer experience. I wonder whether that would be helpful.

One of the most important things for me is that 97% of our interactions with customers today are digital. The assumptions around which members of society do not use digital have been typically not right. I always talk to my teams about how, if you painted people's doors blue for Bank of Scotland and Halifax and green for Lloyds, you would see that we have a massive presence in every community. Based on our own data, we know that customer engagement and feedback on the usage of our services and the alternative channels remains very strong. I wonder whether data would be helpful.

Q157 **Dr Coffey:** Nationwide has more than double the number of branches that Barclays does. Barclays and NatWest between them have the highest number of personal customers.

Let us move on. I will continue to press the case on Leiston. Can we move to LINK? Mr Mather and I were in a meeting with the Economic Secretary to the Treasury and LINK the other day. So far, the banks are not particularly transparent in the information that they share. So far, LINK have not been. They have now shared with me the reasons why every application for a hub in my constituency has been turned down.

Particularly thinking of rural seats, it surprised me to learn that the criteria—by the way, LINK works on the criteria that you, the banks, have set—take account of the town, village or whatever it is, but they might only do a 1 km extra circumference. That does not reflect rural life at all. It does not reflect that people will travel in to get their haircuts or do their shopping. The criteria also talk about the number of retailers. Again, there is a lack of transparency. I do not know which parts of the country you all live in, but why have you only set that as plus 1 km?

Chair: Have you all been asked and trained to sit there writing down the questions, not answering and shuffling in your seats?

Charlie Nunn: I am sorry; I want to make sure I listen because there is quite a lot of content. On the 1 km for LINK, again, I do not know the specifics on that. I am happy to come back on it. As I said, LINK looks at the alternatives needed not to make the decision to close the branch but for cash access. That is the important point.

Q158 **Dr Coffey:** LINK uses your criteria.

Charlie Nunn: LINK is only one part of the solution. We also have post offices, as I said. We are supporting 11,000 Post Office locations and counters. We also have other branches. When you look at a region, we have other locations. We have our ATMs, which are important. We have 37,000 of those.

Dr Coffey: I understand the issue about the Post Office, but the taxpayer subsidises a lot of rural post offices to the tune of £50 million a year. By the way, that service is falling as well. I am trying to understand how it is that you are really responding to your customers.

Do not get me wrong. I appreciate that it is not necessarily your job to keep it. I am conscious that there is one other place in my constituency that apparently fewer than 10 people use regularly. I get that; I understand that. I do not on others, when there are businesses and also you are setting the criteria. It does worry me. LINK is going to look again at one particular branch in Leiston, which I am presenting the petition on today.

I have concerns, Madam Chair, that the biggest source of crime is fraud. I am picking on Barclays because you used to have eight branches in my constituency and within about two months' time you will have zero. Fraud makes up 40% of the crime that people engage with. In particular, Barclays talks about telephone banking a lot. I am really worried about particular people in society who are absolutely scammed out of existence and have nowhere to turn.

They used to be able to go to your branches. That is not just for cash. As Anne Marie Morris says, there are things like getting probate sorted for wills. There are all these other things that local touch points and the Post Office do not cater for. A lot of your credit cards are based on other things like barcodes, and Post Office has not been given the equipment to deal with that. This is why I am concerned.

Chair: You can tell what an important issue this is for the Committee. We will no doubt return to it.

Q159 **Samantha Dixon:** I would like to ask you some questions about debanking—the why, who and how. First, has the number of personal and business accounts that you have closed risen in recent years? If so, why do you think that is?

Mike Regnier: I can talk for Santander. In our case, yes, it has, particularly in 2023, and we expect the same thing in 2024. The reason for that is we are doing a very extensive update of our know your customer information. Many of those accounts go back many years. Many of them are inactive or dormant. As a result of that, we are closing quite a number. We closed 37,000 accounts last year, 95% of which were for personal customers and 5% for SMEs. The vast majority of that was because of this extensive programme that we are under way with at the moment.

Vim Maru: Similar to Mike, we have been running a programme to update the information that we are required to hold on a regulatory basis with customers. We continue to engage with customers and businesses to make sure we have that information. We are contacting people eight to 12 times to try to get that information. If we do not get that update to the information, we are required to close those accounts. That is the reason you see an uplift. That programme of work should be largely done in the first half of this year. You will see the volumes come down in 2024 from where we have been.

There are very many other reasons too. Protecting people from scams and fraud is important. Where there is suspicious activity, we jointly agree with customers that it may be better to close the account and open a new one to keep money safe. We also look at dormancy and inactivity in accounts.

Q160 **Samantha Dixon:** The banks have told us that they have closed accounts of SMEs due to reputational risk and risk appetite. To what extent are reputational risk and risk appetite a significant reason for closing down personal accounts as well?

Paul Thwaite: The number of accounts that we have closed in 2023 has gone up compared to 2022, similar to Vim and Mike. It is for the same two reasons. We have had a big regulatory compliance exercise in terms of updating customers' documents. We would love those customers to stay, but, if they are not able or not willing to provide the documents, ultimately those customers will be exited.

We also take our regulatory responsibilities incredibly seriously. The significant majority of our exits, over 97% in the information that has previously been provided to the Committee, are for fraud or financial crime reasons.

There is a very small number of exits outside those. One of the reasons for those could be reputational concerns, but it is an absolute minority. It could be where customers are not operating within the terms and conditions of their accounts, for example. That might be because the customer is operating a business through a personal account or their account activity is different to what was expected, such as if there is very high cash usage. In summary, reputational risk is a very small number in the context of account exits.

Charlie Nunn: For Lloyds Banking Group it is very similar. For account exits, more than 90% of inactive accounts are where customers are choosing to exit us, rather than us exiting them. Typically, that happens after three years and there is engagement. For the small percentage left, economic crime is the biggest reason. That is defined against a set of regulatory standards and criteria.

When we talk about risk appetite, it is normally linked to economic crime, at least for us. We do not have any policy around political beliefs or reputation as a criterion. As you know very well, the regulatory expectations around sanctions, money laundering and anti-bribery and corruption are in some cases zero tolerance. There is a zero appetite for sanctions risk. As you know, there is a very significant enforcement and fining regime from the regulators both in this country and overseas.

That is why you are probably hearing us talk about having to take a risk appetite decision about people whom we may be suspicious of from a financial crime perspective when we have evidence or data. We have to do that for regulatory reasons.

I can tell you the numbers, but they are tiny handfuls. The other reason is when customers abuse our frontline colleagues. That is a material but very small percentage. We will exit for that reason as well. I do not know whether you would put that as risk appetite, but that is another reason that has not been discussed.

Q161 **Samantha Dixon:** There have been cases of reputational risk and accounts being closed as a result of it. How would a bank make sure the right decisions are being made around the closure of certain accounts in those circumstances? What is the governance around that? Who signs off on the closure of accounts because of reputational risk?

Vim Maru: Certainly in my business, I cannot think of anything material from a reputation risk perspective. We would certainly not be closing accounts based on political beliefs and protected characteristics, as Charlie said.

We do have fora that would debate and discuss any of those risk aspects and would make sure there are checks and balances in the approach that we have taken to any exits. It is also helpful to see the regulators give more guidance and advice on how we think about exit and exit reform as we move forward.

Paul Thwaite: It is very similar for us. The decision to exit an account or a customer will never be taken lightly. We have customer decision forums that make sure every case is reviewed on an individual basis. We take into account all the different factors that go into that. That is how the process would work.

Q162 **Samantha Dixon:** A recent report by the All-Party Parliamentary Group on Fair Business Banking claimed that lenders were freezing legitimate customers out of the financial system due to their opinions or lifestyles or because of cost. How would you respond to that? Would you accept that or not?

Vim Maru: It is certainly not a driver for us. We have made some decisions around geography as we have come out of markets overseas. That has been a strategic decision that we have made not to participate in certain markets outside the UK, which has led to some exits. I certainly would not say we are trying to block people out of accounts. We are opening thousands of new business accounts and supporting many businesses to start up and grow.

Q163 **Keir Mather:** Thank you all very much for being here today. I would like to ask you some questions about profitability. Charlie, when Dame Siobhain asked about bankers' bonuses in January of this year, the Governor of the Bank of England said, "Bonuses are quite seasonal, so we do not know yet. If the banks were here, they would tell you that, if you look at their share prices and their so-called price-to-book ratios, it is not a happy story". Why is that story unhappy, and has it gotten happier in the last two months?

Charlie Nunn: That is a really important question. My starting point for this is that a healthy economy and the ability to invest in the economy for customers and for growth requires a healthy financial services system. From a profitability perspective, we will probably want to have a discussion around the fact that the system looks like it has a higher profitability than it has had over the last 15 years. It is not higher relative to history or to other countries, but today it is higher.

The Chancellor and the Governor have raised the issue around investibility. Our collective bank prices are trading materially below our book value, which is the value that we would assume the assets are worth through the accounting standards. At the start of the year, we were all trading on average at 0.5 market to book. If we look at the equivalents for other countries, Europe would be nearer 1, though not all of the countries—

Q164 **Keir Mather:** It is a lot lower than pre-financial crisis.

Charlie Nunn: Yes. The US is at about 1.5. Canada is higher. In Australia, the Commonwealth Bank, which is a good organisation, is trading at 2.8 times.

Why do I care about that? Why should we care about that? Capital and investors not being able to invest in the UK financial system weakens the resilience of the system. It means the cost of equity, the cost for us to use capital to lend to customers to support growth in the economy, is a higher cost than it has been.

We really welcome the discussions. It is a significant issue. What am I hearing from my investors? This is about investor views. There are primarily two things. The first is certainty around the UK economy. The good news around that is that in the last three months there seems to be a more positive outlook and more business confidence in the UK. There is a resurgence of international investors looking at the UK economy with a more positive outlook.

The more complex one is what they see as very significant uncertainty around the Government and the regulatory environment in the UK, which is materially different from other countries that they invest in. Of course, investors are only one stakeholder, but they do not have to invest in the UK and they do not have to invest in financial services. We have seen a very large number of investors decide not to support UK financial services. Those are the reasons.

Q165 **Keir Mather:** Mike, if I could turn to you, would you agree that recent increases in bank profitability have been driven by the increase in the BoE's base rate, which has given you more scope to increase your net interest margin?

Mike Regnier: Thank you for the question. It is a good question. Charlie is absolutely right. The fundamental thing here is to look at the profitability of banks across a number of years. Yes, 2023 was a good year in terms of bank performance. We saw that in the results that were published by all the banks here today.

Looking at last year's performance, the return on equity that we made in 2023, which was a very good year for us, was 14.4%. Our cost of equity, when you look at the price-to-book of our parent, which is a European listed bank, is in the high double digits. Even in a really good year, the level of returns that we are able to make in the UK are not as high as the shareholders of our parent would expect.

In our case, Santander Group operates in a number of geographies around the world. Equity and capital are pretty fungible. The decision that our group makes on almost a weekly basis is, "Where am I better putting my next euro of capital? Is it in the UK? Should I put it in Brazil? Should I put it in Mexico? Should I put it in the US? Where are we going to get the most return on that extra euro of capital?"

At the moment, in terms of the competitive nature of the UK, our tax rates are higher than many of the other countries that we, as a UK business, are competing with for internal capital within our group. The cost of fraud is borne by the banks in the UK. That is quite unusual globally. As a result of all those things, if I were the group, I would not necessarily be putting a lot more capital into the UK; I would be putting it in other places.

Q166 **Keir Mather:** One factor in that pie of profitability is in relation to central bank reserves. How much interest income has your bank earned from central bank reserves in 2023?

Mike Regnier: I can give you that number, but I do not have it at the top of my head.

Q167 **Keir Mather:** Would each of you be able to write to us on that point, if possible?

Mike Regnier: Yes.

Q168 **Keir Mather:** That would be fantastic. Building on that slightly, I want to ask about the comms work that each of you do. You have weathered the storm of coronavirus. The banks received a bailout equivalent to £137 billion during the 2008 financial crisis. If you look at the issue of bank closures, for every branch that you close you save a yearly operating cost of £617,000. This is in a context where cost of living pressures are really acute for a lot of your customers. You are also benefiting from the base rate being higher due to things like energy shocks and the war in Ukraine.

Would you sympathise with the view that many of our constituents implicitly hold that it seems like they struggle more and more, but the banks always seem to be insulated from these headwinds when they occur?

Vim Maru: I want to touch on a couple of things there. The points around financial stability have been well made. Mike made an important point about looking at things through a cycle. When you look at the level of volatility and uncertainty that we have seen during the last few years, it has been difficult to see where things were really heading.

If you look at our business from 2019 to 2023, the margin that we make now, which is relevant from a profitability perspective, is broadly the same as it was in 2019. That is one point. The other factor is that the cost of living has impacted consumers and businesses, but it is also impacting us. Our cost base has gone up during that period as well.

The points around branches and access to cash are well made. We are very thoughtful about the people who want or need face-to-face guidance, which is why we are growing the number of touch points during the course of this year.

Q169 **Keir Mather:** Could I ask you a question, Vim, just as a follow-up on that, around the point of consolidation and its impact on your profit? In February, it was announced that Tesco Bank would be bought by Barclays in a £600 million deal. Is the increasing consolidation of banks and the reduction in competition going to have a positive impact on the profitability of banks like Barclays?

Vim Maru: We are excited about the acquisition of Tesco Bank. It shows our commitment to the UK market. That is a really big and important turning point in people feeling like some of the level of uncertainty that we have seen over the last few years is coming to an end and people feeling confident to invest more in the UK. That is a real positive.

We have work to do to work through the regulatory approvals and the like, but we are excited about growing that business. We want to grow in the UK. We want to grow that business. That would be positive for competition and the dynamics of the UK market.

Q170 **Keir Mather:** You guys should be able to make a good argument for free market capitalism and having lots of competition within the market, but what are the main risks of this increased consolidation? Surely that is inimical to a lot of the principles that allow a vibrant and dynamic banking sector to thrive.

Vim Maru: I would make a couple of points on that. It is a very competitive market. You have seen a lot of new challenger banks come into the market. You have seen a lot of neo-banks come into the market. It is not only banks; there are providers of particular products or services, such as credit card lenders or foreign exchange providers. That is evidence that there is a high level of competition in the market.

We talked about some of the examples earlier in terms of the competitiveness of the mortgage market and the savings market. To me, that indicates there is a broad-based market with lots of participants who are competing very hard to serve customers well. The banks that win will be the banks that serve their customers really well and understand their needs.

Q171 **Keir Mather:** Just finally, because I am conscious of time, Mr Thwaite, in regard to NatWest being returned to private ownership, could you outline what difference that is going to make to your operations? Could you also comment on the point about the sustainability of profitability, given that the Bank is forecast to cut rates soon? What will that switch over to private ownership mean for your bank? Will cutting rates have an impact on the profitability that we have seen in recent months?

Paul Thwaite: The decision to sell down the Government shareholding is a decision for the Government and the Treasury. It is not a decision for NatWest. As I have said publicly before, I am very supportive of returning the bank to private hands. That is good for all our stakeholders. It is good for the Government. It is good for our other shareholders. It is good for our colleagues. It is good for our customers. I am very committed to working closely with the Government on that aim.

In itself, it is not a direct driver of a change in performance or profitability. I am very focused on running NatWest as well as I can. It would be an attractive investment for any new shareholder.

Q172 **Keir Mather:** Could you comment on the reduction in the Bank rate and its impact on your potential profitability?

Paul Thwaite: In our year-end results in February, we shared our view on where interest rates would settle during the year. We predicted that there would be five interest rate reductions in 2024 and a further four in 2025. That changes week to week. The reality is that the outlook for Bank base rates will impact bank profitability, but it will depend, first of all, on when that interest rate change happens and how many of them there are during the year. There is a whole range of scenarios there.

Chair: We have a few quickfire questions that may just go to one of the panel.

Q173 **Dame Siobhain McDonagh:** The fact you have such an important part in our constituents' lives and in the economy is why we want to keep asking you questions, so I am not sure I should apologise for that.

I wanted to go back to the issue of the independence of the bank resolution scheme. On 23 January 2024, Mark Grimshaw, chief executive of the scheme, told this Committee that the eligibility rules could be changed with the agreement of the SME and bank liaison panels and the board, but according to the participation deed the scheme cannot "vary or purport to vary the scheme rules or the customer agreement except with the prior written consent of the bank-appointed member".

As a representative of one of those participating banks, Charlie, would you suggest that Mr Grimshaw might have misled us?

Charlie Nunn: I do not know the details well enough to know. Do you mind if I come back to you on that? I am happy to give a written response to that specific question. I do not know enough to give you a factual answer; I apologise.

Dame Siobhain McDonagh: Of course, yes. The independence of the scheme is the issue.

Charlie Nunn: Yes, I get it.

Q174 **Dame Siobhain McDonagh:** We talked a lot about fraud within Covid loans from the Government and the private sector. We know £17 billion has been lost to defaults, fraud or error. There was one particular example where a drug dealer and car thief with 48 convictions was given a £50,000 loan. In another case, the Insolvency Service found that a company that claimed an annual turnover of £200,000 was making less than £700 a month. Did you just not do the checks that you needed to do or were you put under so much pressure by the Government that you just wanted to get the money out?

Paul Thwaite: From NatWest's perspective, we put all our usual fraud checks in place at the same time as the launch of the bounce-back loan scheme, which is the scheme you are referring to.

Mike Regnier: In our case, we only offered bounce-back loans to clients that we already had within the bank. As a result, the incidence of fraud was significantly lower.

Charlie Nunn: We did the same as Mike, in fact. Vim, you did it, so you know the details. It does not take away from the fact that there is a small percentage of fraud. The different players have different percentages. I know what my gross fraud and net fraud is. It is significantly lower than some other participants. I am sure you will find some of those examples.

There was another pressure on the industry. When we were all sat around the table, we were really concerned about getting—for us, it was £10 billion—a significant amount of lending out to support people who did not have a pathway to financial resilience and support at that moment in time. Yes, there was a really strong coalition of the willing to try to support this. We did implement our fraud controls.

Vim Maru: It is the same, but the point you make is right. It happened very fast and very rapidly. As the scheme was launched, people learnt every day to make sure we got better as the weeks went on. It was important to try to get that running as quickly as possible.

Q175 **Dame Siobhain McDonagh:** If you all did your checks, how come so much money is owed and has disappeared?

Vim Maru: We did our fraud checks, but we did not do viability checks. That was the whole nature of the scheme. That is why you do see people who are not able to repay some of the loans. That was the nature of the scheme that was launched and that was how it was meant to operate.

Mr Baron: Briefly, further to my line of questioning regarding instant savings rates and term deposit rates relative to the Bank of England rate and the disparity there, would you be so kind as to write to the Committee individually, as four separate banks, to advise us on what more you can do to close the gap between what you are offering by way of deposits, both term and instant, and the Bank rate? Could you also set out your intended policy on the way down, when the Bank rate begins to fall?

Chair: That is a request for a letter.

Q176 **Anne Marie Morris:** Mike, I am going to ask you to answer on behalf of you all. This is about banking hubs. Is the group of nine looking at reviewing the criteria currently set for the hubs? Clearly, the existing criteria are not working.

Secondly, are you looking at how you can integrate technology and how you can operate your systems to make sure you can overcome problems like having one printer to deal with all of you? Some of your processes are also different, like how much money you can withdraw. For a customer, it is terribly confusing. It is making it difficult for these hubs to work efficiently and effectively.

Mike Regnier: There are two questions there. On the criteria, one of the reasons I was writing earlier is I was writing down Dr Coffey's comment about this 1 km thing in terms of the criteria. I was not aware of that. I am going to go away and have a look at those. If I believe we should review those criteria, we can talk to the scheme and try to bring some—

Q177 **Anne Marie Morris:** Will that include the size, the amount that you will spend on them and all of that?

Mike Regnier: We can look at the criteria and how that works. If we believe that it is not working for certain constituencies, we need to make sure it works everywhere, not just in some parts of the country.

As for technology, this is really tricky because we all have totally independent systems. Where we do share technology, like we have done with LINK, for example, we build interfaces into our own systems that allow us to provide services on a consistent platform everywhere. Those are quite few and far between, unfortunately. We all have our own technology our own printer configurations or whatever.

There is a challenge that we are all looking at individually and collectively as part of these hubs. Originally, the purpose of them was to provide access to cash. That is very clear; that is the purpose of the scheme. Increasingly, a number of us—it was in the press this morning—have committed to providing other services through these hubs. The challenge for us is about how we can enable that and whether there are easy ways that we might be able to do that without finding very complicated ways of linking very complex processes across multiple banks into the hub infrastructure.

There might be other ways we can do that. It is absolutely going to be a priority to look at that.

Anne Marie Morris: When you have looked at both of those, if you could let the Committee know what you find and what you propose, that would be helpful.

Q178 **Dr Coffey:** I want to ask about insurance rates briefly. We can see that rates seem to be soaring for car insurance and home insurance. What is driving that? What is happening with products like life insurance, travel insurance and other similar products?

Charlie Nunn: Do you want me to talk about it? I have an insurance company. All of us have one product that we originate ourselves, which is home insurance. We resell third-party insurance company premia.

On the home insurance side, there are two things that are really relevant. The first is around home insurance. There has been an increased number of weather events and the cost of repairs has gone up. We do have to look from a cost-up perspective at the increase in prices. The cost of living has impacted the cost of claims and repairs. That is part of the issue.

The second thing, which I know a number of our customers have talked to us about, is that a new regulation was introduced that changed how insurance pricing happened for the first-time customers versus people who have been customers for a long time to try to make it a level playing field. For those who were looking for a first-time insurance policy, they thought that rates had gone up or they were seeing that rates had gone up because of that change. That has played out in the last 18 months.

Those are the two significant changes. We talked about competitiveness; 85% of mortgages are third-party distributed and it is 95% for cars and loans. Insurance is a very competitive market that is third-party aggregator-led. We are highly aware, where we control pricing, what this means for our customers.

It is a really important point to raise, Dr Coffey. There are very clear reasons that we are trying to manage, some of which are to do with changes in regulation and some of which are linked to the underlying cost of providing that service.

Q179 **Dr Coffey:** What difference has the consumer duty had on the insurance market, from your perspective? I do not know whether that involves anybody else.

Mike Regnier: We do not have an insurance business. We distribute third-party insurance. The biggest change for us—it goes back to this management information point—is that we now collect over 200 pieces of data from our insurance partners, which is significantly more than it was previously, to understand how customers are using those products. That helps us in the design and it also helps us up front to make sure those products are going to the right people.

Vim Maru: We also do not manufacture. It is the same point as Mike.

Chair: Thank you all very much. It has been a session where we have had a lot of interest and a lot of follow-up. There will be no doubt notes exchanged on that. We want to thank you for your time today.

It is fair to say that it is highly likely that our successor Committee will want to have you back in a year's time to see how the consumer duty is affecting existing customers because that seems to be a work in progress. We have all noted how much you have had to change your behaviour in response to it. We are looking forward to hearing about further changes. You have heard our concerns particularly about some of the bank branch closures and Cash Access. I urge you to go away and look at how your organisations are making sure that works well on the ground where we see it happen.

Thank you very much for your time today. There will be lots of follow-up by letter.