

## Scottish Affairs Committee

Oral evidence: [Access to cash in Scotland, HC 1023](#)

Monday 7 February 2022

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Members present: Pete Wishart (Chair); Mhairi Black; Deidre Brock; Wendy Chamberlain; Alberto Costa; Sally-Ann Hart; John Lamont; Douglas Ross.

Questions 85-207

### Witnesses

[I](#): Martin Kearsley, Banking Director, Post Office.

[II](#): Fergus Murphy, Group Chief Customer Experience Officer, Virgin Money UK, Carol Anderson, Branch Banking Director, TSB, Reza Attar-Zadeh, Head of Customer Interactions, Santander, and Ricky Diggins, Community Bank Business Delivery Director, Lloyds Banking Group.

## Examination of witness

Witness: Martin Kearsley.

Q85 **Chair:** Welcome to the Scottish Affairs Committee and our ongoing inquiry into access to cash. Today we are delighted to be joined by the director of banking for the Post Office, Mr Kearsley. Please introduce yourself, say who you represent, and make a short introductory statement.

**Martin Kearsley:** Good afternoon, Committee. I am delighted to be here. Thank you for inviting me. My name is Martin Kearsley and I am the director of banking for the Post Office. My responsibilities include all our cash and banking relationships with all the UK banks, in partnership as they restructure their branch networks, and we step into the void left in communities countrywide to supply cash. We run a very stable network of 11,500 branches. We know that it is fragile, as I am sure many of us will attest, and, based on commercial agreements only, can struggle. So our loud appeal is for legislation that has been agreed in the last couple of years to now deliver. We want to make sure we can provide a free, scalable and robust cash supply across the country, as we have done for a number of years. We want to make sure that that is protected and we are able to carry on that vital role for communities UK-wide.

I also look after all our foreign currency business, Travel Money, fortunately coming back into favour as the travel market, hopefully, recovers. I look after our ATM estate across the country—about 1,400 post offices with an ATM—and I am also responsible for our payment businesses taking cash in over the counter for energy companies UK-wide.

Q86 **Chair:** Thank you for that. It is nice to see you again. You were at this Committee a few years ago when we first started to look at this issue, and you were very helpful as we shaped our report. Since your appearance, we have continued to see bank closures, and the role of the Post Office has continued to change and evolve. Can you tell us what you think the most significant differences have been, particularly in relation to what we are looking at now—the availability of cash for primarily more vulnerable customers and those who are dependent on it and require it?

**Martin Kearsley:** I would be delighted to. In the last two or three years since I had the privilege of talking to you, we have developed and grown our relationship with UK banks. We have become even more of a collaborative and supportive partner to the banks, as I mentioned in my introduction. Many of them, due to commercial realities, we would recognise are perfectly entitled to do what they need to do with their branch estate, but we know that that means many thousands have closed, against a backdrop of continued requirements for cash across the country—somewhere between 2 million and 8 million people requiring cash daily.



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In the past couple of years, we have seen a change in some of the demographic. It is not just vulnerable, perhaps elderly and less financially able customers whom we now serve; we are seeing younger groups starting to come through, which is possibly a reflection of the pandemic. When lockdown allowed us to go for a walk each day in our local areas, more customers across the country rediscovered their post office. They have discovered the services that we offer, not just in banking, but my colleagues in mails, insurance and other services.

We have re-established a presence on the high street and a presence in the UK mindset of a local, supportable and sustainable business that has been there throughout the pandemic. We remained largely open—in excess of 90% of our branches remained open—throughout the pandemic. A lot of that is to do with the fact that our wonderful postmasters and their staff in some cases live above the shop, so staying open and supportive of local communities became a byword for their service.

We have seen more people coming into post offices. On my particular side, the banking side, we have certainly seen a massive increase in the amount of cash both coming in and going out, in Scotland in particular. In December '21, we had in excess of £60 million in cash withdrawals and we took in about £180 million in cash deposits, roughly split between personal deposits and small businesses. That really recognises the fact that, as the banks restructure their networks, we step in to support those communities.

Increasingly, where small businesses need to accept cash—we encourage not so much legislation on small businesses, but definitely the encouragement to continue to take cash—it means that they need somewhere convenient, secure and scalable to deposit their cash, and the post office fulfils that. We have seen a large increase, nationwide across the UK, to now over £3 billion a month—£2 billion in cash deposits, £1 billion in cash withdrawals. We are the bedrock of cash in the UK.

**Q87 Chair:** That is interesting. I am also interested in your comment that the demographics have changed, because there is a perception that mainly older or vulnerable consumers and customers continue to require access that involves cash. Is there also a rise in customers in areas that are affected by branch closures?

**Martin Kearsley:** Over the past year, we worked in full partnership with the banks on a thing called the community access to cash pilot, whereby we looked at communities who self-declared, "We are struggling for cash. We've lost too many banks. We haven't got an ATM, or it has become chargeable"—which increasingly happens around the country. In conjunction with the banks, we trialled numerous new solutions, one of which was a bank hub, a combined partnership whereby one day a week, or a morning or afternoon each week, each different bank's representative can visit the high street to meet their customers face to face for the first time since the branch closed. Behind that meeting area, we run a counter simply to handle banking transactions, so the bank hub is a utility model. We saw in the two sites, Cambuslang just outside Glasgow and Rochford in



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Essex, that we significantly grew the cash that was available inside the community. Effectively, that underlines that if cash stays in a community, the community itself thrives. It has therefore been a helpful model in how to show that high street survival or recovery, certainly post the pandemic, can be supported by that kind of shared model.

- Q88 **Chair:** I remember, the last time around, some of the banks were not all that encouraging about your ability to provide the full range of services that their branches did. What do you provide now? You have mentioned a few already, so you might need to refer to them again, but are you close to replicating the services that bank branches possibly provided up to a couple of years ago?

**Martin Kearsley:** It is possibly important to note that we are not setting out to be a bank branch; we never have. We are established to support communities that are left behind when the banks choose to close their branches. Obviously, a bank branch handles all sorts of services, not just cash. We do not replace those; we are simply providing what you might call the transactional services: cash deposits for both small and medium enterprises and for consumers, as well as cash withdrawals for those same businesses and, fundamentally, for consumers.

- Q89 **Chair:** You will never be in a situation where the bank manager will get a tap on the shoulder to come in for a chat about your personal finances—is that not something that you would see yourself eventually getting into at all?

**Martin Kearsley:** No. We are not independent financial advisers; we are not able to recommend one bank's services over another's. We are simply there to handle what you might call the non-differentiable products—just cash or cheques.

- Q90 **Chair:** All this is based on the banking framework agreement. We have been through 1, and I think 2 is close to being concluded. I will let you put it in your own words. I think that you are moving towards a banking framework 3. Is that right? What significant difference will that make and what you are hoping to offer with it?

**Martin Kearsley:** I could typify that we are now into our second banking framework. I can characterise each of those three in different ways. The first, which we ran from 2017 to the end of 2019, was essentially to gather together all the banks into a single common set of services and standards. Prior to that, we had run what we call bilateral services for each different bank, so there would be different services, different commercial models, different times of the day that we would serve their customers, different types of services—very, very difficult to co-ordinate and control. Banking framework 1 essentially brought together all those different banks into a common framework where we offered standard services to customers of all banks.

Banking framework 2 started on 1 January 2020. Members of the Committee may well recall that we had quite a few commercial tussles at the time; one bank wished to withdraw its service against a backdrop—at



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the time—of us essentially supporting banks as and when they close their branches.

As we have gone through framework 2 and negotiated framework 3, which has just concluded, I am delighted to say that we have gone past “get everybody into one camp and then commercially sort it out”. We are now in a place where we are far more of a channel partner to all the banks. In other words, we are not just there to support banks when they close, but to support them as a channel, as an access route, for all their customers to be able to continue to handle cash. It means that they can concentrate more on the evolution of their digital services, and on their ability to service us as customers in different ways—online and what have you—while we are essentially the bricks and mortar for all those people requiring or budgeting on cash, especially given that, with the news of the last week or so, some families are really looking at quite a bleak few months ahead. For those who need to budget with cash, you have the Post Office—it’s us.

- Q91 **Chair:** We all have a network of post offices in our constituencies, but the thing that we deal with most regularly are temporary closures. We have specific questions about temporary closures, so please leave that to one side in your response to this question. Are we in a stable situation in which we are not going to see a whole swathe of new closures of post offices? I am thinking particularly of when people are possibly dependent on bank branches and are using your services only to find that they might be withdrawn, or temporarily withdrawn, from a few hours a week. Can you convince us that we are going to be looking at a rosier and more stable picture in the Post Office?

**Martin Kearsley:** I would be delighted to try. What is key to note is that since 2009, we have operated a network that has largely been as stable as it has been in decades. We have run 11,500 branches, give or take a few—we have typically always been above 11,500, and are currently at about 11,580. We have actually increased the number of branches over the last couple of years, and I would say that we are the only organisation in the country that does that despite closures.

You would all recognise that in a network of our size, postmasters retire, their business models change, different communities change their requirements, so there is inevitably churn in our network, but we typically keep 11,500 branches, and we always look to reintroduce services as and when something has to close. We are really the only ones positively increasing the size of our network against that high street backdrop.

- Q92 **John Lamont:** Good afternoon, Mr Kearsley. My question relates to some evidence we have received about some customers feeling that the privacy and security offered in a post office is not equivalent to what they might get in a bank. Could you comment on that and how you are addressing those concerns?

**Martin Kearsley:** Indeed; we do hear that frequently—thank you for raising it. We recognise that the kind of services we offer need a level of



privacy. As I just explained to the Chair, we do not offer financial advice. We do not talk to customers about their intimate financial details. Typically, the kind of transaction is: the customer approaches the counter, they wish to deposit a sum of money, they may have to say that sum of money at the point when they wish to deposit it, or equally they say, "I wish to withdraw £50, £75" or whatever. That is almost the extent of the interaction that could be heard.

In many cases, especially as we have all become used to screens, we are looking to evolve our network to accommodate that, but also to start looking at, especially with the increase in volume that we have been handling in the last year or two, evolving services whereby a particular part of the post office, where we can, can offer dedicated banking services to try to address that privacy issue, screened from the wider part of the post office.

Clearly, there are many where we cannot do that. They are small convenience store-type post offices. In which case, the postmaster and their team are as discreet as possible, recognising that some of those conversations could be overheard.

- Q93 **John Lamont:** In terms of customers doing high-value transactions—either depositing or withdrawing money—how do you support your postmasters with additional security and other measures to protect them and the customer?

**Martin Kearsley:** There is no doubt that we offer the most robust and scalable cash service across the UK. To your point about security, it is a challenge. Our network, more than any other, has handled this amount of cash and more over its lifetime. In days gone by, when we looked after car tax and TV licences, a lot of those transactions were in cash, so our postmasters are generally used to handling large sums. However, we are aware that if increasingly we are the only place in town—the last surviving counter—where cash is held, that is a very attractive target, so we continually work with our postmasters and our network colleagues to ensure those post offices are protected and the safes are absolutely up to standard. We have ways of getting the cash over the counter and into those safes as quickly as possible, so that they are as little exposed as possible.

- Q94 **John Lamont:** Thinking of my constituency in the Borders, there has been a large number of bank closures and when the banks announce the possibility of a closure, they always name the post office as being an alternative. When you hear that, do you get frustrated and feel that your network of postmasters and sub-postmasters are being dumped on by the banks as they withdraw from local communities?

**Martin Kearsley:** On the contrary, the reason why those banks say that is because we have worked so collaboratively with them over the past five years, and more in some cases, to ensure we can support their customers when they choose to close their branches. In some cases, our postmasters work very closely with the bank branch managers as they close to ensure,





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for instance, that vulnerable, less able customers are literally introduced to the people who will be looking after them from that closure onwards. That is a very positive engagement. We welcome the statement by banks that there is a post office nearby.

- Q95 **John Lamont:** Can I take it from your response that you are also very satisfied with the compensation you get from the banks for providing services on their behalf?

**Martin Kearsley:** I mentioned earlier the iterations of the banking framework. In banking framework 2—the current framework—we arrived at a suitable commercial model, which effectively pays the Post Office for the services we offer, and that has enabled us to benefit our postmasters and make some increases over the past couple of years.

- Q96 **John Lamont:** To be clear, the Post Office is happy, but would you say all sub-postmasters are equally happy and content with the compensation they are receiving?

**Martin Kearsley:** We are always looking at doing more and doing better across all remuneration of postmasters, whether that is to do with mail, insurance services, other platforms that we sell, and including banking. We constantly, and I myself, look at banking to find out how we can compensate better depending on how the flow of cash changes. For instance, post covid we have about 130% of pre-covid values of cash coming into our branches and about 85% of withdrawals, so the balance shifts. We constantly relook at how we can compensate based on the value of funds that are flowing in or out of the post offices.

- Q97 **John Lamont:** Is that perhaps a partial acknowledgment that some postmasters do not feel properly compensated?

**Martin Kearsley:** We recognise that postmasters continually struggle to make ends meet, especially in a challenging retail environment, so we do our best to ensure those postmasters are compensated effectively.

- Q98 **Sally-Ann Hart:** Good afternoon. I am going to ask some questions about awareness of Post Office banking services. Post offices in general are very highly valued in my constituency of Hastings and Rye, and there is a high level of trust put in them. According to Citizens Advice research published in 2020, awareness of Post Office banking services has improved in the past few years. A previous inquiry into post offices in Scotland found that the awareness of banking services was not brilliant. It has improved, but how do you monitor and assess the effectiveness of efforts to increase awareness of Post Office banking services?

**Martin Kearsley:** I am very interested in your question and your reference back to the previous assessments of percentages. It is very important to us that we increase awareness across the country. We think it currently rests somewhere between 55% and 60%. When customers were asked, without prompting, "Where can you get cash from?", the Post Office would appear in those answers. However, we currently serve somewhere in the region of 20% of people, so there is a large group of people who know that they can bank at the Post Office but choose not to.



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We continually investigate with them why that is, through focus groups and conversations that we have. We continually survey that top number as well, to see whether it is growing and how we can grow it.

There are limitations, as I am sure you are aware. We are a public sector organisation and we do not have a huge amount of marketing spend available to us for broad campaigns, so that is another leg to our partnership with the banks. We work with them. As Mr Lamont mentioned, they will often say, "The Post Office is the place to go when we close." We are working more closely with them now, to say, "Actually, don't just talk about us when you close; talk about the Post Office as a route to access cash services within your community, securely."

We continually work with the banks, and we would prefer to leverage some of their significant marketing spends to assist with that journey. We constantly work with them, and we constantly review what the overall awareness might be in the market, to make sure that we are doing what we can to drive that up.

- Q99 **Sally-Ann Hart:** Under the access to banking standard, banks that are closing branches are meant to work with local communities to establish the impact of the branch closure, identify other organisations that may be affected by the closure and provide them with information about their plans. In your view, how well is that process working?

**Martin Kearsley:** It has been weaker than of late. I mentioned the community access to cash pilot, which we ran in partnership with Natalie Ceeney and a team of banks. That led to the Cash Action Group—CAG—which published a report just before Christmas. In that report, we mapped out a clear process, through an independent review body, which is established as LINK, to assess communities that say they are struggling for cash and to deploy solutions that are proportionate and support that community.

The Post Office is central to that, whether through our existing services, through enhancements to our post office—I mentioned potentially adding specific banking counters for those services—or by moving to a bank hub. Through that route, the banks are actively pursuing a much more collaborative, community-engaged conversation, to say, "Where is the problem? What can we do about it? Here are some of the solutions that we deploy to fix that."

- Q100 **Sally-Ann Hart:** Can the process that you have just set out work in rural communities, where there might be a post office within a village shop, for example?

**Martin Kearsley:** It certainly does. It is more likely that rural communities and urban deprived communities will potentially be left without banks in the coming couple of years, which is why the Post Office's stable network—our continued provision of 11,500—is so vital. That is why we continue our call for legislation to ensure that it is not just based on a commercial agreement or good will, but it is baked into legislation that cash has to be protected in those communities.





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**Q101 Sally-Ann Hart:** How would you recommend that the banks increase awareness of the Post Office's banking services to the impacted community and its businesses in the event of a branch closure? You are there, but it is the banks who really need to increase awareness of the alternative.

**Martin Kearsley:** Yes. There are several steps that the banks have taken. In response to a letter from John Glen at the Treasury a couple of years ago, we and the banks, through UK Finance, put together a group to look at ways in which we could increase awareness using banks. That has a lot to do with how they promote us—what position we take in their mobile banking apps, for instance—and their own use of social media. Particularly in areas where they no longer have a presence, it is also about being able to contact the customers who they know live there; they have the systems to identify where their customers are and say, "They all live in this local area; we'll contact them." There are ways in which the banks moved forward in response to Mr Glen's letter to do more to advise their customers of available alternatives.

**Q102 Sally-Ann Hart:** Obviously, the banks are in the private sector and the Post Office is serving the public, so are they in a better position, in marketing terms, to make the public more aware?

**Martin Kearsley:** I would agree with that. I refer back to my previous answer: we are limited in what we can do. What we can do—we frequently do it—is broadcast the fact that, for the protection of free, secure and robust delivery of cash in and out of 11,500 communities, it's the Post Office. We are the only place offering that. Our commitment is still to be free at the point of service, no matter what. That brings with it challenges—commercial challenges. We would prefer to support that "free cash" mantra for those who need us and use us than to divert more funds into the marketing side of that. We do look, in partnership, at how the banks can support us in doing that.

**Q103 Sally-Ann Hart:** How would you recommend that the UK Government work to improve awareness of the cash access services available at post offices? Do you think it is a function and a role of the UK Government to do that, or is it a function of the banks?

**Martin Kearsley:** I think it is the role of the UK Government to set out in legislation the umbrella expected—to say that whenever cash comes under threat, there is a legal obligation on those who have provided it to continue to do so, or to provide alternatives. We continue our call for legislation. We would hope for that to set the scene for the Government to ask one of the regulators—in this case, perhaps the FCA—to be the regulator and then say, "Right, how are we going to take that legislation into action with the commercial organisations whose duty it is to deliver it?" We need that overall umbrella from the Government, the FCA to deliver on it, and then the organisations to respond and do what they have to do.

**Q104 Alberto Costa:** Good afternoon, Mr Kearsley, and thank you for appearing before the Committee this afternoon. Following on from the



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questions that have been asked by my colleagues, I have had two or three banks in short succession close their branches in parts of my constituency. Some of my constituents have asked why the Post Office does not have the ability to allow pop-up banking within its network, given all the resources that the banks have from closing down those branches. Have you, as head of the Post Office's banking services, entered into any commercial discussions with the banks about having some form of pop-up banking, for the branches that close down in a locality to offer services from Post Office branches?

**Martin Kearsley:** Forgive me for just checking: by "pop-up banking", do you mean the bank being able to utilise some space inside a post office?

**Alberto Costa:** Correct.

**Martin Kearsley:** I think that is a really good question. In times gone by, before RBS moved to be NatWest, we had a number of RBS representatives in Scotland using a desk and a chair one day a week in a post office to talk to their customers—rudimentary pop-up banking, if you like. That worked very successfully. We used that, together with all of the banks, to work through the Cash Action Group activity in the run-up to Christmas, which led to the successful deployment of bank hubs in both Cambuslang and Rochford.

That utility model, whereby there is formally a meeting area—on Monday, it could be Bank X, on Tuesday, Bank Y, and so on, and they share the utility of that space to meet their customers on each day, supported by a ubiquitous cash service from the Post Office, sitting in that kind of smart lobby area—has worked very well. I think that is the future of what you might call pop-up banking; it is less ad hoc and much more planned and organised, and deployed in a suitably secure and supportive environment.

Q105 **Alberto Costa:** What would you call it if not pop-up banking? Is there any name given to this type of partnership?

**Martin Kearsley:** They have been called bank hubs. It is a hub on the high street offering a shared service from the banks to visit face-to-face one day each week, as I said, supported by a banking counter through us.

Q106 **Alberto Costa:** On bank closures across the United Kingdom, what percentage of areas have had the benefit of pop-up banking or bank hubs?

**Martin Kearsley:** So far, we have piloted two in the country, and the press activity before Christmas announced a further five through 2022. As we head into 2023, I suspect there will be significantly more being announced as we work our way through the roll-out.

Q107 **Alberto Costa:** Would you accept representations from South Leicestershire on this point, if I wrote to you separately? It is a large constituency where we have had most of the banks closed. That is why I raise the issue on this platform.



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**Martin Kearsley:** We would be delighted. As I mentioned, there is an independent body looking at all such representations to see if they pass a set of criteria that the banks have established. Should those criteria be passed, then a solution set that involves a post office, enhanced post offices or bank hubs would get deployed.

Q108 **Deidre Brock:** I want to ask you about the post office access criteria, because they are set by the UK Government and the Post Office is required to meet them. I note from the post office network 2020 report that the Post Office missed its target for the number of postcode districts in which 95% of the population are within 6 miles of a post office outlet, and all seven of those were in Scotland. I will declare an interest, as my parents-in-law reside in one of those districts, unless things have changed. I understand that there can be short-term problems that contribute to those districts being included at that time, but is it still the case that all the postcode districts that fall outwith those criteria are in Scotland?

**Martin Kearsley:** Thank you for your question. I will just clarify that the criteria that I mentioned to Mr Costa were the banks' criteria for where a bank hub might be established. I think your question refers to post office access criteria, set by the Government for us.

**Deidre Brock:** Yes.

**Martin Kearsley:** To answer your question, while 2020 was clearly an extremely difficult year and I suspect that some of those postcodes were caught up in that, equally, we all recognise that Scotland is a hugely diverse and mostly rural area, so if we have postmasters who choose to retire or their business models change, it is more challenging to ensure that we can reopen. However, every time there is a closure, we turn our attention to finding a suitable replacement as fast as possible. If a replacement looks like it will be a long time coming, with the great help of our existing postmasters, we will deploy what you might call van services. Those are temporary services that visit and ensure that a community carries on having access to post office services—not just banking but all of them.

Q109 **Deidre Brock:** Okay, so you are doing temporary services. I will use my parents-in-law as an example; they have been living outside the 6-mile radius for a very long time. There has not been an improvement for many years. Do you look at this and review it constantly, and try to work out ways to make it possible for people to access these services?

**Martin Kearsley:** We take our Government responsibilities extremely seriously, and we would certainly be working very hard to make sure that every single postcode district in the country fits into those access criteria. I am relatively assured that we absolutely do achieve that; as I say, if we do not, we look at ways in which we can temporarily bring services. Unfortunately, there will be some people who you cannot fit in. We need to be commercially viable as well, so at the extremes—I do not know your parents-in-law, but maybe there is a significant distance involved—it will



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be challenging to get everybody to fit inside that 95% boundary, but we try our absolute hardest. Again, our commitment is not just to run a stable network but to continually try to increase it, to make sure that we do not just scratch the surface of the requirement but exceed it where we possibly can.

**Q110 Deidre Brock:** I recognise that things may well have changed since March 2020—I hope they have—but perhaps you could advise the Committee as to the current situation and how many postcode districts are currently affected by that missed target. That would be helpful to know.

You are saying that you could introduce some sort of temporary services. Are you saying that there are just going to be districts that will never be able to be completely covered under the criteria required of you by the Government?

**Martin Kearsley:** We can certainly meet our core requirements with fewer branches than we currently run. We already have an established process with Government whereby loss-making branches are subsidised. There is a limit to that subsidy. There is a limit to the reach that we can get to. I am sure that we would all wish to have a bricks and mortar, fully open post office in every possible location, so that every consumer, UK wide, had access to that. It becomes uneconomic to do that very quickly, so we constantly try to balance those two competing algorithms, if you like, about where we are located, where the people are, how we get to them, and how we offer them the services that we can.

**Q111 Deidre Brock:** Ultimately, though, it is economic considerations that are leading to that shortfall.

**Martin Kearsley:** I think at the absolute fringes it has to be.

**Q112 Deidre Brock:** Okay, thank you. I notice that Citizens Advice in 2017 criticised the Post Office for using an as-the-crow-flies measurement rather than the distance travelled by road. Is that still the case, or has that been superseded now for those distances?

**Martin Kearsley:** We constantly look at better ways to do things. Quite clearly, there is no point in saying, "It's two miles to your nearest post office, so long as you go up and over that huge mountain," so in a practical sense, when we can, we will look at factors such as bus routes—the nearest driven route to get around a particular obstacle. Quite rightly, we work in partnership with LINK and with the banks, looking at whether there are areas—to bring one particular example to life—where a community is cut through by a major A road and it is impossible, as the crow flies, to expect everybody to be able to cross a very busy road. In partnership with LINK, we have deployed ATMs into that environment, on the other side of the road, to make sure that those customers, too, have access to cash. Against a backdrop of cash access, it is an amalgamation of numerous businesses, brought together to make sure that that community has suitable access to cash.



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Q113 **Deidre Brock:** You are still using the as-the-crow-flies measurement, though.

**Martin Kearsley:** I would say that mostly we are using as the crow flies, moderated by real extremes.

Q114 **Douglas Ross:** Good afternoon, Mr Kearsley. A couple of years ago, all Post Office ATMs were run by the Bank of Ireland. They then took a decision to withdraw. How do you characterise your response to that in the last couple of years?

**Martin Kearsley:** I would characterise it as a very positive response. We have worked with the bank to understand their requirements in this two or three-year window. It was very clear that they did not wish to invest in the ATM estate that we were hosting for them. Ultimately, they would remove that support. Around 18 months ago, we announced a significant investment of about £16 million into completely replacing that ATM estate with Post Office-owned devices. We have effectively completely changed the commercial model. We own the devices. We are now members of the LINK network, and we are halfway through migrating that entire estate over to Post Office ownership. We have done that in partnership with the bank.

Q115 **Douglas Ross:** The entire estate?

**Martin Kearsley:** Yes.

Q116 **Douglas Ross:** That is not quite true, because in some cases you are removing them. You have used this as a reason to withdraw the ATMs. Your wording there was quite particular, and that is why I picked up on it.

**Martin Kearsley:** My apologies—I certainly did not mean to mislead. To be very clear, we had around 2,100 ATMs in the Bank of Ireland network. We are carrying forward into our network about 1,500 of those sites—possibly more.

Q117 **Douglas Ross:** So you are dumping 600.

**Martin Kearsley:** We are not dumping; we are protecting 1,500 sites, which otherwise would have lost more—

Q118 **Douglas Ross:** What happens to the 600, if you are not dumping them?

**Martin Kearsley:** They are a collection of sites where we know that the throughput and the number of transactions each month are simply not sustainable.

Q119 **Douglas Ross:** So what word would you use?

**Martin Kearsley:** I certainly would not use the word dumping. I would say that we are working—

Q120 **Douglas Ross:** What are you doing with them?

**Martin Kearsley:** We are continuing to work with those post offices, because all those customers can be served at the counter.



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Q121 **Douglas Ross:** What are you doing with the 600? If they are not being dumped, tell me another word I can use.

**Martin Kearsley:** They are being removed from service because they are unsustainable.

Q122 **Douglas Ross:** Ah, okay. They are being dumped. You are getting rid of them. You say that you are transferring them all across, and I am not allowed to use a word such as dumped, but basically you are removing them from the presence that they have on the high streets.

**Martin Kearsley:** In many cases, those post offices can handle all the customer transactions that had gone through those ATMs at the counter. We are not removing the service; we are removing the ATM.

Q123 **Douglas Ross:** But you are, in terms of the 24-hour service.

**Martin Kearsley:** In many cases, that could possibly be true, but we know that less than 7% of transactions happen between 11 o'clock at night and 7 o'clock in the morning.

Q124 **Douglas Ross:** Therefore, do you also know that 100% of the transactions within the period of the operating hours—when the premises are open—will move from outside the premises to inside the premises?

**Martin Kearsley:** Not all transactions will make that move. The ATMs that we are removing either have a very low throughput or there is already a strong provision of other ATMs remaining in the town. Where we have protected the investment, what we have put our money into, is the 1,500 or so sites around the country—that is 1,500 communities that would have lost their ATM completely. We have chosen to reinvest in those communities because there are no other ATMs nearby or because there is a larger requirement for overnight transactions and the volume of those transactions completely can make those ATMs sustainable.

Q125 **Douglas Ross:** Why are these decisions being taken now? In some cases—locally, in Moray, which I am sure you looked at before you came to the Committee—I have been in quite a lot of correspondence with the Post Office recently on this—we were quite optimistic when the £16 million was identified. We had survived the “removal”—or any other word you want to use—of these facilities. But now, as soon as the most local bank closes and customers are advised to go to the post office to use the ATM and other services, you are removing the ATM. Why now?

**Martin Kearsley:** I would challenge the “Why now?” We are constantly looking and we actually have a group—I mentioned a moment ago 1,500 to 1,600. The reason why that number is not yet completely solid is this. Yes, against the criteria available over the last 18 months, 1,500—I think it was 1,483, to be exactly precise, that fitted the criteria required at the time, which was the number of transactions required to make that ATM sustainable for that community. But as time has gone on—this is why the number is fluid—more banks have closed; footfall continues to come to the post office; and therefore more ATMs are dropping into the sustainable category as we go.





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So we have now around 100 sites that we are looking at, the sites having lived through their own bank branch closures or ATMs being removed or, in some cases, ATMs becoming chargeable. The reason why they become chargeable is that they are not sustainable. So, some of the independent ATM deployers have moved to chargeable. In Scotland in particular, about 580 ATMs have been turned into pay-to-use ones in the last couple of years and 500 have been removed. That is quite a significant number. What we are looking to do is, wherever a community now becomes sustainable, we will place an ATM into that community.

**Q126 Douglas Ross:** In terms of access to cash and our inquiry, clearly one of the most important things, if we are encouraging people to go into the post office, is that the post office itself is viable. Would you say all the decisions taken by Post Office Ltd have that in mind, in terms of supporting their postmasters and sub-postmasters? Is that a top priority for the Post Office?

**Martin Kearsley:** The top priority of us at the Post Office is to support our postmasters and make sure their businesses thrive and are as sustainable as they possibly can be.

**Q127 Douglas Ross:** Can I just check? That is “the” top priority?

**Martin Kearsley:** That is the top priority of our chief exec since he came in in October ‘19—to make sure that we focus on helping our postmasters deliver business for their community.

**Q128 Douglas Ross:** So why have you launched a credit card that cannot be paid for within post offices?

**Martin Kearsley:** There are a number of challenges with credit cards across all banks, not just our own—

**Q129 Douglas Ross:** But the Post Office has launched a post office credit card, which is good for Post Office Ltd but will do absolutely nothing to help the sub-postmasters get people in through the door. Why?

**Martin Kearsley:** Can I just complete my prior answer? All of the banks we work with, so that they can put an identifier on their credit card bills that we can scan in the post office and their customers can pay. We continue to do all of that with all of the banks. We will continue to do that with our partner for those credit cards. We continue to find ways in which they can be paid. We recognise they cannot right now, but we wish to offer a credit card service through the post office. The next thing for us to do is to make sure that they are modified to ensure we can get them paid.

**Q130 Douglas Ross:** So that is your whole answer. Do you accept, however, you have launched something that is to get money for Post Office Ltd that in no way benefits your sub-postmasters anywhere across the UK?

**Martin Kearsley:** I will come back to you on that one, but I think you are wrong in suggesting that it is not to benefit our postmasters. If those postmasters help customers open those card accounts, we do pay remuneration to those postmasters. But I will have to check that.



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Q131 **Douglas Ross:** But there is absolutely no footfall in terms of coming into the post office to pay off your Post Office Ltd credit card.

**Martin Kearsley:** At present, no.

Q132 **Douglas Ross:** So what is the timescale to change that?

**Martin Kearsley:** Within the next year I would hope to have that completely changed across all credit card statements.

Q133 **Wendy Chamberlain:** Mr Kearsley, I am going to move on to talk about temporary closures, which is what the Chair mentioned at the start. We all know that post offices do close temporarily—for example, if a sub-postmaster retires. In my constituency of North East Fife, we have had four closures because CJ Lang chose to withdraw post office services from SPARs. What do you categorise as a temporary closure? Can you give me an ideal of a timescale that you consider to be temporary?

**Martin Kearsley:** Temporary closure is less defined by time and more defined by whether we are trying to find someone to take on the location. The move by CJ Lang was regrettable. We worked with CJ Lang for a number of months to find alternative ways in which retaining post office services was better in its commercial model. In many cases, we sought to support that until we found a replacement, but CJ Lang chose not to. That is entirely fine. We have a number of other strategic partners, for whom we operate extremely effective post offices. Regrettable though those four are, we seek permanently to find new ones. I think one is reopening in the next few weeks in Balintore, which is tremendous news. Are we seeking to find replacement? That is the definition of temporary. Some are closed for some considerable periods, because we cannot find—

Q134 **Wendy Chamberlain:** So if it is not just about timescales but about showing that you are keen to reopen those services, would it therefore be reasonable that those post office opportunities would continue to be advertised on your website? With the four in North East Fife, that is not the case.

**Martin Kearsley:** The adverts that we were running for those four had a natural time out. It timed out last week, and as soon as we realised that they had timed out, we re-enlivened them on the website. It was a system issue as opposed to a deliberate action. They are now advertised fully on our website.

Q135 **Wendy Chamberlain:** That is encouraging to hear. Why do you think we are seeing an increase in temporary closures and people not coming forward to run the services?

**Martin Kearsley:** We all recognise that there is an extremely challenging environment out there on the high street right now. It is very difficult for many postmasters to make a good business out of the mix of the post office and the other business they run—their convenience store or whatever the business happens to be. In answer to Mr Ross's question about our No.1 priority, it is to make sure that we give every support we can to those postmasters across the country to help them benefit not just

their post office business, but the other retail outlet that they may be running in the joint premises.

**Q136 Wendy Chamberlain:** You said that covid had re-established the post office on the high street, but it sounds like potential postmasters are not seeing that. How do we make the role more attractive? What things are you looking to do?

**Martin Kearsley:** If I could, I will refer the Committee to Kingussie, where a local did recently close. A new postmaster has come forward, and the report has been—almost verbatim—that it has been extremely busy in that new branch since she has taken it on. It was on the lines of “Banking has been a significant drive for her business, as well as bill payments.” We know that there are services that are absolutely needed, especially in rural or urban-deprived areas. Focusing on those transactions and the business of banking, payments, ATMs, will make sure that those communities and the post offices running them have got the very best chance of making a success of having those services. While all of our others continue to do well, we know there are pressures on formal post. We know there are pressures on parcels through the year, depending on what time of year it is. Seasonal business has its changes. Banking is solid all the way through each year, and that is a bedrock business for most postmasters.

**Q137 Wendy Chamberlain:** So you very much see banking, regardless of where it is within the post office network, as part of that. My final question is: to what extent do you think the pandemic has increased temporary closures? Has it meant, for example, that you have been unable to succession plan?

**Martin Kearsley:** I am not sure whether the pandemic has increased temporary closures. Everybody rallied to the pumps—as the country has over the last couple of years—to make sure that specifically very vulnerable people have been able to access the services. In some cases, it is a real lifeline. We have seen in terms of recovery that about 15% of consumers have not been able to get the services they want from their local retailers because those retailers do not take cash. We know, therefore, that if we really want to encourage the high street back, we need to protect cash, legislate for it, support the stable network that we offer, and we want to make sure that we continue to provide free cash. The way to do that, for all those local businesses, is to make sure they know that they can pay their cash back into a post office.

**Q138 Chair:** This a last question from me. You said to Mr Ross that your first concern and care was for the sub-postmasters. How do you think the legacy of the Horizon scandals has impacted on that care? How do we encourage people to come forward to offer a service like this if they have been through that experience? We know all the difficulties the Post Office is having just now—I do not think you have the money to meet the cost of all the miscarriages. Is that roughly right? How do you sell this, given that experience? What do you say to people who are interested in this, who might have that in the back of their minds?



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**Martin Kearsley:** I am sure they have. I think I speak on behalf of all my colleagues currently in charge of the Post Office when I say there is regret and the bemusement about how the entire organisation can get to this position. It is being looked into by a number of inquiries. It would be inappropriate to comment on that, but our focus going forward is to accept that the past happened but take responsibility for making sure it never happens again.

Everything we are doing is to support our postmasters' businesses, to make sure that businesses such as banking continue to thrive and become the bedrock for their business that we know it can be. If we do that in strong partnership with our banking colleagues as they restructure their branch network, and we pick up the footfall, we can feed that through our branch network and make sure we have an extremely sustainable, strong network that continues to offer free cash under that legislative umbrella.

Q139 **Chair:** I am sure it will be really difficult to exorcise that particular ghost. I was in the House when it was all going on. I had sub-postmasters who were caught up in all of that. The stress and the difficulty that it brought to them was almost unbearable. I want to hear that you are making every effort to acknowledge the difficulties and the misjudgments of the past and are working with people who have an interest in this, being honest and upfront about what happened. Would I be roughly right about the Post Office's approach?

**Martin Kearsley:** I would say that is not just roughly right but absolutely correct. We are working the best we can to make sure that whatever situation brought that about can never ever happen again.

**Chair:** We will leave it at that. Thank you ever so much for coming back again and answering all our questions. I am going to suspend the proceedings to get our virtual participants online.

### Examination of witnesses

Witnesses: Fergus Murphy, Carol Anderson, Reza Attar-Zadeh and Ricky Diggins.

Q140 **Chair:** Our second panel on access to cash has representatives of the banks. I will let them introduce themselves and who they represent, starting with Ms Anderson.

**Carol Anderson:** Thank you, Chair. I am Carol Anderson, director of branch banking at TSB, and I have had a 40-year-plus career in banking.

**Chair:** Mr Attar-Zadeh—I hope I have pronounced that right.

**Reza Attar-Zadeh:** You have, Chair. Thank you. My name is Reza Attar-Zadeh. I am the head of customer interactions, which effectively means I look after the branch network and contact centres, within Santander UK.

**Chair:** Mr Higgins—Diggins. Sorry; it is such small print on the screen.



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**Ricky Diggins:** Thank you, Chair. I am Ricky Diggins. I am the director responsible for access to cash within the Bank of Scotland. I am pleased to be talking to you today, having previously given evidence back in 2019.

**Chair:** So you did; I thought I recognised you. Welcome back. Lastly, Mr Murphy.

**Fergus Murphy:** Thank you, Chair. My name is Fergus Murphy. I am the chief customer experience officer in Virgin Money. I am responsible for our branches and contact centres as part of my role.

Q141 **Chair:** I know that a couple of you have been before. Welcome back if you have. To show where we are since the last time you appeared, I will just give a few numbers and you can tell me whether this is the beginning of the end or the end of the beginning. Virgin has had 31 branch closures, TSB has shut 70 branches, Santander closed 111 branches and Bank of Scotland has closed or is scheduled to close 23, with a loss of some of the mobile branch services. This is pretty awful, isn't it? It is a real decline in what we have come to expect on the high street. Could you give a sense of why this is happening and what is behind it? I know you will probably tell us that everybody has migrated to online, but there is a whole cohort who still very much depend on your services and who now experience a very diminished service on their high street. What exactly is going on here? We will start with Mr Diggins.

**Ricky Diggins:** Thank you for the question. I think you are right. I think the way that people choose to bank and access cash is changing and has continued to change over time. It is clear to us that people are using cash less and, like many other high street businesses, fewer customers are choosing to visit our branches. We recognise that cash remains important for a number of people, so branches are an important part of our approach to meeting those needs, but it is clear that over time there are significant changes that our customers are leading.

Q142 **Chair:** Ms Anderson, will there be anything left once you are all finished closing all of your estate across the high street? We are looking at some 54 branch closures per month. Those are astounding numbers.

**Carol Anderson:** Even with that, we are still the third largest branch network in Scotland and the seventh nationally. It is important to bear in mind that this is about responding to customer behaviours and serving customers in a way that they want to be served. As well as that, we have looked at how we reach out to our customers, given the fall in transactions. We have seen transactions decline by over 28% on average, but even more than that in the branches that are closing.

We reach out to our customers through centrally generated leads. We reach out to our vulnerable customers and, on the back of that, we have also introduced pop-ups—you will have heard of these from the previous panels—where we are in locations for one day a week. Some 93% of our customers are within 20 minutes of one of our branches, but where they are not and where we have a lot of vulnerable customers, we continue to



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be there through our pop-up presence. They can come to us one day a week and we help them at those locations.

**Q143 Chair:** Thank you. Moving on to our last two witnesses, we are always told—I think you said exactly the same thing when you were here a few years ago—that you are responding to changing behaviour. Is it not the case that you are actually driving behaviour? If the facility and resource are not available, obviously people will make use of alternatives. How much do you think that, by taking away some of these resources, people are changing the way they bank? I will come to you first, Mr Attar-Zadeh.

**Reza Attar-Zadeh:** I think customer behaviour is driving the change, more so than one might expect, because the digital revolution and the service capability that is provided through these channels makes it extremely convenient for the customer to undertake their banking almost 24/7 if they so wish. The improving technology and the improving experience from the digital environment are encouraging more and more of our customers to use it. That is consequently leading to less footfall in our branches, and that is definitely a factor in our decision making around how we change the services that we offer to our customers.

At the heart of it, access to cash is also an important factor. There is a cohort of customers that do require cash, and therefore the work that we do in order to understand how we meet that requirement in a way that serves their needs, as well as recognises the changing demographic, is a really critical piece of work. The work that the industry is doing, both the public and private sector working together, to maintain a provision of cash is important work.

**Q144 Chair:** Lastly to you, Mr Murphy. You might want to respond to the points I made earlier, but are we possibly heading towards a cashless society? I know this was an issue that was kicked around the last time we looked at this. An awful lot of issues are involved in this, but is that where we are heading?

**Fergus Murphy:** That is a great question. If we look at international comparisons and what is happening around the world in other OECD zone A developed countries, there is a relentless move towards digital—mobile services and online services—for every sector and every industry. Of course, the key for every sector and every industry, including banking, is that we bring our customers along with us—the vulnerable ones, the ones who need more help.

Many of our customers are ahead of us, and know more about technology than we do, but we want to bring those vulnerable customers with us. Take, for example, a country nearby—1% of transactions in Sweden are now in cash, so it is a relentless move globally. As I say, with care and with diligence, the banking environment will continue to move that way.

**Q145 Chair:** I will stick with you, Mr Murphy, as you are there. Has the pandemic changed the whole approach to cash? Have you seen any evidence to suggest that more people are making use of digital banking and that there is now less use of cash?





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**Fergus Murphy:** The pandemic has definitely speeded up the process to which I was referring and which has had other contributors locally and globally. There is no question about that. For example, more and more customers have issues with the hygiene of cash. That was something that was coming through. Obviously, the footfall into all retail stores, whether banks or any other type of high street commercial operation, reduced significantly during the crisis, the pandemic. However, the usage of cash is down over 70% in the past decade; it is not just the past two years. It has speeded it up a little, but it has not changed the trend. As I mentioned earlier, the trend line is quite strong and quite definitive in moving to less and less cash over time.

**Chair:** Thank you. Mr Lamont was going to ask that question, so I apologise for that. He has the other witnesses and other questions.

Q146 **John Lamont:** Thank you, Chair, and good afternoon to the witnesses. My question is to Ms Anderson. As you know, TSB has shut three branches in my constituency in the borders over the past two years, most recently in Hawick. I note that you have introduced this mobile money confidence expert, which is the pop-up service in Hawick, to try to compensate for the loss of the actual banking service. I am grateful for the invitation that you extended to me to visit that. Do you find that your customers find that service useful?

**Carol Anderson:** Yes, we do. What we have put in place—the mobile money confidence expert—is a colleague who works in the branch part of the time as well, so they are fully trained and fully able to help the customers. We can do that face to face in the pop-up for those customers who need us most.

What we have found is that the customers who come into the pop-up are those who need help, perhaps in making payments, so we set those up for them and help them; or they might want to know what the post office can do if they want to do a bit more there, so we will help them with that education. More and more, we see customers come in with their own device, and we help them with their digital education. That has proven really beneficial, because the customer wants the comfort of becoming more confident with it while trusting someone in the pop-up to take them through it. We find that those people who come in to use the pop-ups for those types of things are finding them really helpful.

Q147 **John Lamont:** Am I correct to say that people cannot withdraw money, deposit money or pay in a check at those pop-ups?

**Carol Anderson:** That is correct. They were never set up to do that. This is about access to banking. We will help them with the post office and free-to-use ATMs, helping them to do their banking in that way.

Q148 **John Lamont:** Thinking back to what you said earlier in response to one of the questions from the Chair about transactions continuing to fall, by making that decision and providing the alternative pop-up service, you are helping that trend. You are stopping people from being able to do basic banking transactions by preventing them from carrying out those



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types of transactions in the pop-up facilities.

**Carol Anderson:** Whenever we close a bank, we reach out to all the customers who bank with that branch and we take them through how they can continue banking in a way that suits them. That could be exploring the post office situation with them, and we meet the local postmaster. On some occasions, we take the customer around and we make sure that they are comfortable doing that transaction. During the pandemic, we issued all our customers who held passbooks with ATM cards, because for some of them that was the way that they wanted to get access to cash, so using the free-to-use machines was important to them. We then continue with the education on how customers bank going forward, but they still have access to cash in their local community.

Q149 **John Lamont:** I am grateful for that. To reiterate, those basic banking services—the types of transactions that were previously available in your TSB branches in the Borders—are no longer available and that will help that trend of reducing banking transactions, which you referred to earlier.

**Carol Anderson:** If those cash transactions are an absolute necessity for that customer, they can still do those in a post office or through a pay-to-use ATM.

Q150 **John Lamont:** So, to be clear, not in a TSB bank or the TSB pop-up?

**Carol Anderson:** Not unless they go to their next nearest branch.

Q151 **John Lamont:** How far away is that in the Scottish Borders?

**Carol Anderson:** It depends where the customer lives and works, but, for example, we are investing in the branch in Galashiels and expanding that for the benefit of customers.

Q152 **John Lamont:** Mr Murphy, you will be aware that Virgin Money closed its branch in the Borders, in Galashiels, which leaves a customer in Galashiels, or in other parts of the Borders, with at least a two-hour round trip to Edinburgh to access their nearest alternative branch. Do you think it is remotely acceptable for a Virgin banking customer to have to make that type of journey to be able to access basic banking services through a branch?

**Fergus Murphy:** We look to provide all our customers, including customers in Galashiels, with an overall service that looks after their banking needs. In the case of Galashiels, we found that the branch was no longer commercially viable.

We want to keep our branches open everywhere that we can, but sometimes, as a commercial organisation, we have to make tough decisions in relation to things like this. For example, in Galashiels there is an ATM and a post office within a couple of hundred metres of the store that was closing. Like other witnesses, we look to ensure that our customers are educated digitally. We have found that many of our customers welcome that, so we are looking to provide them overall with a



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set of services, including from the Post Office, that leave them in a good place.

Q153 **John Lamont:** Mr Murphy, if one of my constituents, who is perhaps elderly or vulnerable, wants to use traditional banking services inside a bank, as opposed to using an ATM, it sounds to me as if your recommendation to them is to find another bank, and to move away from Virgin Money and find a bank that is still prepared to look after rural communities, like those in my constituency.

**Fergus Murphy:** No, not at all. I would not agree with that at all. For example, over 90% of the activities that our customers do with us on a daily basis in a branch are available in the post office or, as I say, through digital banking. It very seldom happens, but as a last resort we would introduce the customer to a competitor bank. For all banks, that happens on the odd occasion, but we believe that the vast majority of our customers are being looked after through the alternative services with which we provide them.

Q154 **John Lamont:** How many of your customers in the Scottish Borders have moved away from Virgin Money since your decision to shut the branch in Galashiels?

**Fergus Murphy:** I don't have an exact number, but I do know that it is a very tiny number of customers.

Q155 **Wendy Chamberlain:** Good afternoon to all our witnesses. I know this inquiry is about access to cash, but it has been coming through strongly to me that it is actually about community. On the one hand, we can look at what TSB is offering in terms of giving advice and guidance but not access to cash, and then look at the hubs that we have heard about, with the pilot in Cambuslang and the increase in the number of those. It is almost as if we are trying to meet access to cash, but we are missing a bigger picture in terms of community.

May I come to Mr Attar-Zadeh first? What are the challenges in creating that shared banking provision in Scotland? How have we been overcoming those challenges?

**Reza Attar-Zadeh:** The main challenge is that creating a shared banking hub is not an easy exercise. The access to cash working group has established a pilot whereby we can understand how best various parties, including the Post Office and the banks, can work together to create these banking hubs. As we know from Cambuslang, the hub has proven very successful in terms of establishing post office counter service, with the banks sending representatives on a specified day for a particular bank, to provide that community service.

Q156 **Wendy Chamberlain:** May I just ask why that is so difficult? I suppose that I was thinking about Cupar in my constituency, where Santander and TSB have closed, and we are pretty much left with Nationwide currently. Surely there is a real estate there. One of the banks can take a lead, and work with the Post Office. I get that there are scheduling issues, but



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surely with wifi, digital access and that ability to access services, I do not understand why it is so difficult. Frankly, my constituents do not understand either.

**Fergus Murphy:** It takes time to establish the working practices, the security protocols, and the working together of the individual parties to make sure there is a common understanding of what we are trying to achieve in the service provision being offered. That has taken time; it takes time to set up the agreements on what party takes what role within the organisation.

The good news is that progress has been made on that front with the access to cash working group. I think the time has now come when we can accelerate for those communities that are identified as meeting the criteria, where the local community need is there for banking hubs to be created. You will have heard from previous witnesses that around five more have been identified, and there are plans to expand that even further. The group is working very hard to establish the right process and procedure to get those banking hubs live as quickly as possible.

Q157 **Wendy Chamberlain:** Mr Diggins, I note that when the Committee discussed this previously, you said in evidence: "This is a transactional hub. It is not designed to be a full replacement service or bank branch, but we are keen to see if we can make that work." As the TSB option has shown, people are still looking for that face-to-face contact in terms of making decisions, potentially about quite sensitive materials. Actually, one of the criticisms of using post offices for those services is that they do not have the privacy. Do you still see this as being very much about access to cash, or should those hubs be delivering more?

**Ricky Diggins:** I think the reference that I made in the previous hearing was to a pilot activity where there were three pilots for small and medium-sized companies. This is a new initiative, and we are really pleased to be involved in the work that is being undertaken by the Cash Action Group. I think this is unprecedented collaboration across the banks, looking to support our customers with both access to cash and access to banking. A really important part of the banking hubs you have referred to is not only the service provided for basic cash transactions over the counter, but each of the participating banks then also sending a community banker into those banking hubs to support our customers with the broader range of banking services. That is a really important aspect that we have piloted over the last six months or so.

Q158 **Wendy Chamberlain:** I think that goes back to that community element, doesn't it? Having that person from that branch in on a certain day is part of how we build that community. My final question is open to anybody who has an answer to it. The Committee has had correspondence from OneBanks, which has operated pilots in Denny, in Kilwinning in North Ayrshire, and in Lochgelly in Fife. They say that they are providing face-to-face banking services on behalf of multiple banks and financial services providers to financially excluded communities. Are any of your banks working with OneBanks over and above the current hubs?



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**Carol Anderson:** We were involved with that initial pilot in Denny, and we are now involved in Cambuslang. We have stepped forward and are going to be involved both in Carnoustie in Scotland and in Knaresborough. In previous years, we were active in trying to promote a shared hub-type facility, so we are really pleased to have got to this stage and to be involved in it.

Q159 **Wendy Chamberlain:** So, what you are saying is that you would be willing to work with OneBanks as well as the pilot hubs through the CAG.

**Carol Anderson:** We did in Denny.

Q160 **Wendy Chamberlain:** Okay, great. Anybody else? Mr Attar-Zadeh, I think I saw your hand as well.

**Reza Attar-Zadeh:** We are in discussions with OneBanks as well and understand how they are progressing. We understand their solution, which is quite digitally oriented. They work off the open banking rail, so that allows digitally enabled customers to use the service to its full extent.

It is a very positive initiative to be working on, but as we have discovered through all the work in this access to cash area, there is no one silver bullet to address the challenges that each community faces. It is yet another option for us to pursue, and we will be actively speaking with OneBanks to see how we can support any work that they do in this area.

**Wendy Chamberlain:** Thank you. I suppose that digital and rural communities will be one of the challenges for OneBanks to overcome. Thank you all.

Q161 **Deidre Brock:** A number of my questions have already been asked.

We have heard that only around 55% to 60% of adults are aware of the services that the Post Office can offer. Could each of you outline exactly what your respective banks are doing to improve the level of awareness about banking services in post offices—particularly after closures, of course?

**Fergus Murphy:** We run education services for our customers—we sometimes call it “learn about banking”, or LAB—where we seek to ensure that our customers are educated about digital banking. We offer one-to-one services and group services in that regard and it is absolutely part of any branch closure programme to ensure that our customers understand what they can do digitally. A good example is depositing a cheque. Customers are pleased when they see how easy it is to do that through an app—you can scan a cheque and deposit it, literally in seconds. You do not have to go to a branch, queue up or whatever.

Like every other bank, I am sure, we continue to try to be very proactive in educating customers around finance and digital. As I mentioned at the very beginning, it is about bringing customers with you on the path to digitisation that is global. As I also mentioned, some customers are ahead of us but some are behind. We are looking to try to help those who need it.



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**Ricky Diggins:** The post office provision is a really important part of access to cash across the whole UK and in particular Scotland. We have recently extended our partnership with the Post Office for the next three years, until the end of 2025.

Our customers' awareness of the post office service is variable. We understand that about 21% of our current account customers use the post office on a regular basis. What we look to do proactively is really support those customers when there are changes to banking provision. Where we have closed a branch, one of the things we would look to do is ensure that all our customers are aware of all the alternatives available to them—what they can do in the post office and the services available to them.

If we look back to last year, we see that we had almost 35 million transactions by Lloyds Banking Group customers through the Post Office, so there is good awareness and we are continuing to support that, particularly when there are challenges with access to cash.

**Reza Attar-Zadeh:** As the other panellists have said, we are very proactive in educating our customers in the alternative ways they can transact to do their financial services. From a Santander perspective, the Post Office is an extremely valuable partner. For example, our business customers use the Post Office as the mechanism to deposit cash and make withdrawals if they so wish, so the knowledge among our small business banking population is very good.

In terms of our personal customers, as the research suggests, not everyone is aware, but I can tell you that, where we do undertake any closure activity, the education programme is second to none in terms of ensuring that our customers understand all the alternatives available to them, and not just the Post Office. I have heard examples—I think Ms Anderson mentioned it earlier as well—where our colleagues will support those customers by walking with them to the post office to show how to use the services available. I would expect the knowledge levels to be much higher among those most directly impacted by any branch closure than among those who have perhaps not really needed to be concerned about using the Post Office, given the other facilities around them.

Q162 **Deidre Brock:** Do you think there is a place for all the banks to join forces in making the general population, and not necessarily just those who have been affected by closures, more aware by supporting the post office network to publicise its services? I know that there is the Cash Action Group, but does that form part of that discussion and the work around it?

**Reza Attar-Zadeh:** I think we can always do more. The research suggests that awareness among the population is not high as it could be. If the Post Office, in combination with ourselves and the Cash Action Group, really looked at how to market the message about services that the Post Office offers, that would be a positive thing, and it can only improve from where it is today.





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**Q163 Deidre Brock:** I suppose I am thinking of the sheer number of closures that there have been and that we can perhaps expect in the future—perhaps forewarned is forearmed. Finally, Ms Anderson, perhaps you could let us know about your activities?

**Carol Anderson:** I will not repeat what the other banks have said, but the one thing we do for any branch closure is contact our vulnerable customers. We contact them 10 weeks before closure, and we have a success rate of over 80% in that. Then we take them through how they are going to do their banking, what the Post Office can do, and how they would interact with the Post Office, so it is really important that our colleagues understand what the Post Office can do and are trained appropriately so that they can help customers to become comfortable with that. We also get them to use the post office before the branch closes, if that is going to be their way of banking, so that, should they find it difficult or should they not understand it, we are still there to offer that support.

**Q164 Sally-Ann Hart:** Good afternoon to our witnesses. I am going to ask a few questions about the impact of the coronavirus pandemic on banks and bank closures. There is no doubt that the closure of branches has impacted on local communities. The FCA has found that 15% of adults, often the most vulnerable, struggled to cope with closures of cash access points and branches during the pandemic. Many shops, for example, refuse to take cash and impose a minimum spend on contactless or card payments—you probably realise that. My first question is, did the coronavirus pandemic accelerate branch closures?

**Fergus Murphy:** No, in our view it did not accelerate bank branch closures. As I touched on earlier, I think it has continued the trend of fewer customers coming into branches and fewer people who want to work with cash, but it did not accelerate branch closures in our case.

**Q165 Sally-Ann Hart:** Do any of the witnesses want to add anything different to that answer?

**Reza Attar-Zadeh:** I would just add to what Mr Murphy has said that, basically, the analytics we undertook to understand whether we made any closures was determined by transaction levels pre pandemic. I believe it would have been remiss of us to base it on what we saw during the coronavirus pandemic, because that is obviously a very different environment from what would normally be expected. Again, reinforcing the point that Mr Murphy made, the transaction volumes have not returned, even though the pandemic is easing to a certain degree. They have not bounced back to where they otherwise would have been had natural trends continued, so there has been an impact, but that would not have been the basis of any decisions on closures during the pandemic.

**Q166 Sally-Ann Hart:** Following on from that, Mr Attar-Zadeh, has the coronavirus pandemic accelerated the move to digital banking services, either for your bank, which is Santander, or for customers? Has there been a difference?



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**Reza Attar-Zadeh:** Yes. I think it has definitely had an influence on accelerating digital adoption. We have seen growth in digital transactionality. The other dimension, which is an interesting observation from the period, is how many older customers adopted digital not necessarily to do their banking, but certainly to do Zoom or FaceTime calls to connect with family. That has opened the door for alternative ways to support customers who otherwise would have wanted a face-to-face interaction. Because they were not able to, we were able to deploy other techniques to educate customers on alternatives for access to cash through virtual events we held. Customers could dial in and speak directly to our branch managers and get more of an insight, which they would otherwise not have had if they were at home.

Q167 **Sally-Ann Hart:** I see the nodding of heads, but does anyone have an alternative viewpoint to Mr Attar-Zadeh?

**Carol Anderson:** I would just add that it was a much wider societal change. We had already seen transactions decline by over 20%, and they were never coming back. We do not see any return to those types of figures. There was a 40% decline in the use of cash in the wider business community. I think behaviours changed at a pace that we had not seen before, and we had to change quickly as well to make sure we could meet the needs of our customers.

Q168 **Sally-Ann Hart:** The FCA has said that lockdowns meant it may have been harder for banks to engage with customers on closure proposals. Was that the case? What consultation have you had with customers during the coronavirus pandemic on closure proposals? I will ask Mr Diggins first.

**Ricky Diggins:** If we look back to the start of the pandemic in 2020, we actually paused any bank closures, so through 2020 we did not close any branches across Lloyds Banking Group. As we returned in 2021 and as things have eased, we continue with the same robust process in place. We would still look to inform customers at least 12 weeks in advance of a closure. We still have the same robust process in terms of writing to our customers, and working with and supporting vulnerable customers in exactly the same way as we would have done pre pandemic.

Q169 **Sally-Ann Hart:** Are there any current communications barriers?

**Ricky Diggins:** No. I think through a combination of good quality conversations in our branches, writing to customers and contacting them via telephone, we are able to support and inform them, making sure they are aware of the decisions we have made and of the alternatives available, and that they are supported through that transitional period.

Q170 **Sally-Ann Hart:** Thank you. Do any of the witnesses have anything different to add to Mr Diggins's comments?

**Carol Anderson:** We go above what the Lending Standards Board requires with regard to letters and telephone calls. By having the branches open for those customers who did come in, because the lockdowns did not generally extend over the full period, we were still able to support our customers through those different means of communication.



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Q171 **Douglas Ross:** Thank you to our witnesses this afternoon. Ms Anderson, what do you do with the 20% of vulnerable clients you cannot contact in advance of a closure?

**Carol Anderson:** We contact them all through letters, but—

Q172 **Douglas Ross:** But you said only 80% get back to you?

**Carol Anderson:** The calling programme has been successful, and that programme is over and above the letters. We have a more than 80% success rate of the customer picking up the phone, but every vulnerable customer will receive a letter.

Q173 **Douglas Ross:** Of the 20%, what follow-up is there? Do you know what those customers go on to do?

**Carol Anderson:** Well, some of them will come into the branch. If they do that, we offer them what we call tailored support.

Q174 **Douglas Ross:** What percentage is that?

**Carol Anderson:** I would need to come back to you on that percentage.

Q175 **Douglas Ross:** You are right to highlight the 80% you do contact over the phone, and that everyone gets a letter. It is quite interesting that you do not speak to one in five of your vulnerable clients over the phone. It would be useful to know their destination thereafter and what happens with them.

**Carol Anderson:** Sometimes they don't need the contact. This is where we go over and above: we will try on three separate occasions to contact those customers. I will come back to you with the specific percentage.

Q176 **Douglas Ross:** In your evidence right at the beginning, you said that you seek to serve your customers how they want to be served. Is that correct?

**Carol Anderson:** Yes.

Q177 **Douglas Ross:** So what has TSB's response been to a number of petitions to keep branches open? If customers say that they want those branches to remain open and, as you said in your evidence to this Committee, you want to serve customers how they want to be served, how do you respond to the people who petition you, MPs and local politicians to keep your branches open? Have you ever changed your mind?

**Carol Anderson:** If we look at the wider stats, more than 90% of transactions are now done digitally. That is a huge shift. Some 75% of sales are done digitally. When we engage and get feedback around branch closures, we will have meetings to go through what the constituents need and how we can provide that. We do the education workshops; we do all the mailings and we do the pop-ups. If we have a location where there is, maybe, an increased vulnerability, we might not originally have planned to put a pop-up there, but we will do that. You'll be aware that we have a



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pop-up in Grantown-on-Spey, for example. We continue to look at what the community needs and whether there is another way of doing that.

**Q178 Douglas Ross:** My question was quite specific. There are those who say, "We don't agree with your plans," and you say that you want to serve your customers the way they want to be served. If, therefore, they don't want to close, how many times have you changed your decision in the light of that feedback from your customers, who you want to serve the way they want to be served?

**Carol Anderson:** We have not changed our decision. However, we would look at alternative ways, such as over the telephone and investments in digital and the remaining branch estate; those branches tend to be open longer and have had more facilities put into them.

**Q179 Douglas Ross:** Tell me a bit about your decision to close the Forres branch.

**Carol Anderson:** The Forres branch has had a decline in transactions. We look at the network around Forres and how customers use that. We know that customers are transacting digitally. We know that they are multi-branch customers, so they don't use just Forres—they might use Elgin or Inverness, depending on where they do their main shopping, and so on. We also look at the usage of cards. We know that there is a good ATM infrastructure in Forres; we look at the ATMs within a mile of the branch. We look at all of that when we look at the closure of a branch.

**Q180 Douglas Ross:** I am particularly interested in the use of ATMs. When you announced the closure, which will take effect from April this year, you advised your customers to use all the facilities in the local post office. We heard in the earlier evidence session that Post Office Ltd is now removing that ATM as well. Yes, there are other ATMs within a mile of the branch and the post office. However, there is very little at the west end of Forres, which serves a large part of the community. Were you aware of the plans by the Post Office to remove that ATM when you were telling all your customers to do all their business in the post office just down the road?

**Carol Anderson:** No, we would not have been aware of that. That is another commercial business, and they will make decisions based on their commercial impact—

**Q181 Douglas Ross:** So you have no discussion with the Post Office before you tell your customers to go to the post office?

**Carol Anderson:** Yes, we do have a full discussion with the Post Office, but if they are not aware that that machine is going to close at that time, that would not have been part of that discussion; however, within Forres there are five other ATMs—

**Q182 Douglas Ross:** I realise that, and this has been repeated to me ad nauseam by chief execs of the banks. We have lost three quarters of our banks since 2015. Everyone keeps saying, "Well, there's another one just a mile away," but that does not really help the people at the west end of



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the town. If you have ever been to Forres—

**Carol Anderson:** I have. I have been to the branch.

Q183 **Douglas Ross:** It is a significant walk up the hill from that community. We now expect them to go almost another 0.7 miles, I think, for the ones within the various radiuses. There is one at the Bank of Scotland, yes, but at that end of the high street we have now seen both the ATMs within a couple of hundred metres being removed, or removed. I do not think that that has really been taken into consideration, but I was interested to note that you said that the Post Office did not tell you about the removal of the ATM because it may not have been planned at that time.

**Carol Anderson:** They may not have known at that time.

**Douglas Ross:** That is something that I am going to follow up.

**Carol Anderson:** In Forres, we know that 84% of the business customers use mobile, online, telephone banking, so we look at all the channels—

Q184 **Douglas Ross:** What do you mean by “mobile, online, telephone”? Do you mean mobile, online and telephone?

**Carol Anderson:** Yes. Usually, if they use online they will be a mobile bank user as well, and they will be familiar with telephoning.

Q185 **Douglas Ross:** Why are you not putting a mobile bank into Forres?

**Carol Anderson:** No—mobile banking as in the mobile app. They transact digitally.

Q186 **Douglas Ross:** Okay, so why are you not putting a mobile bank in Forres?

**Carol Anderson:** We have one in Grantown-on-Spey.

Q187 **Douglas Ross:** You said that earlier. You do know that Grantown-on-Spey is not in Moray and is a significant distance away from Forres. I take it that you are not advising people in Forres to go to Grantown over the Dava or something.

**Carol Anderson:** No, but they have Elgin, and we have invested heavily in our Elgin branch. Elgin is open Monday to Saturday.

Q188 **Douglas Ross:** You also invested heavily in the Moray Rambler<sup>1</sup> to get out and about in communities, but in one community where you are closing a branch and withdrawing the banking facilities you are not going to put in a mobile bank. Do you know about the Moray Rambler?

**Carol Anderson:** No.

Q189 **Douglas Ross:** That is the name for the TSB mobile banking in Moray. You are not aware of that.

<sup>1</sup> Point of clarification from TSB, “The Moray Rambler’ is a mobile branch service provided by the Royal Bank of Scotland. It has no connection to TSB or its Elgin branch.”



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**Carol Anderson:** No. The mobile money confidence expert?

Q190 **Douglas Ross:** No. The Moray Rambler is the van that goes around Moray and stops in communities where the banks have been withdrawn.

**Carol Anderson:** No, that is not us. We do not have a van.

Q191 **Douglas Ross:** It works out of the Elgin branch.

**Carol Anderson:** No, that is definitely not us.

Q192 **Douglas Ross:** Okay. We may come back to that. Can I ask all of you to answer a yes or no question? Do you agree with pop-up branches or banking hubs?

**Reza Attar-Zadeh:** Yes.

**Ricky Diggins:** Yes.

**Fergus Murphy:** Yes.

**Carol Anderson:** Yes, and we are part of the shared hubs and the pop-ups.

Q193 **Douglas Ross:** So you all agree with the principle. Why do we keep hearing that there are more discussions and we are positive, yet there are a number of communities where the last bank has left and you could not work together to get a pop-up branch or banking hubs in those communities, and they have now been left without any facilities?

**Carol Anderson:** The cash access group only came together last year, and the role that LINK will play means that from this summer any community that feels that they do not have access to cash can make a request for that to be assessed. That will independently be assessed by LINK.

Q194 **Douglas Ross:** My question is more that you are all supportive of it, and you are all saying that it is a positive idea. You want more discussions about it. You have all also spoken about how banking and the number of transactions have fallen away significantly over the years. This has not happened overnight. Why are we still in a situation where there seems to be a reluctance to work together? Some communities are now left without any banking footprint at all, yet you all seem to be quite positive about it. That will not really chime with the communities that have no banking facilities in their area.

**Fergus Murphy:** That is a very fair challenge, Mr Ross. It takes some time, as it has in other jurisdictions. As Mr Attar-Zadeh said earlier, the work is ongoing. We do expect that that work will lead to positive, collegiate decisions that will increase the number of banking hubs significantly from here.

**Ricky Diggins:** As I indicated earlier, we are supportive of the work through the cash access group. I think this is a really important first step in collaboration across the branches. We have made good strides over the





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last six to nine months in establishing two successful pilots. As part of the announcement on 15 December, we announced five further bank hubs, as well as an additional 11 free-to-use ATMs and enhancements to 30 or so post offices. We continue to test and learn and to understand our customers' responses to the various options that are available. We think it is important that we continue to innovate. The Cash Action Group is important as we move forward with the independent assessment and the link we will be able to make to understand the needs of individual communities. It is clear that one size does not fit all, so it is really important that the independent assessment is able to understand the needs of the individual communities and make sure that the appropriate access to cash is put in place.

**Q195 Douglas Ross:** I will come to Mr Attar-Zadeh now. Why has this not been more on your agenda? All of you are representing banks that have closed local branches. All of you say that you are positive about something happening in the future. Why has it not happened? Why are we still speaking about it and having these discussions when many communities are without banking facilities on their doorstep?

**Reza Attar-Zadeh:** We have to look at the positive progress that has been made in recent times. It is a highly complex challenge we face—getting all the banks to work together and work with the Post Office, ensuring that the necessary agreements are in place, finding the right locations, and understanding community needs. There are a whole variety of things that need to happen to make this a reality. Progress has been made over the last year or so in terms of co-ordinating us all in a way that allows us to consider this matter, given that the change in customer trends and the acceleration to digital means that more and more customers are going to be left in potential situations where they do not have access to cash. That is, I think, a very encouraging step forward. I would hope very much to see that we can move forward at pace and deliver the services required for the communities based on the assessments that have been undertaken.

**Q196 Douglas Ross:** On that point, before I go to Ms Anderson, how do you see these communities? Are they ones that will lose branches—potentially the last branch in a community—or are they ones that for years now have been without a bank branch, where, if you had acted sooner, when you were seeing this decline in usage and individually choosing to close your branches, they would have had a hub two years ago or five years ago? It was Mr Attar-Zadeh that made that point, so I will let him answer that, then I will come to you, Ms Anderson.

**Reza Attar-Zadeh:** In respect of future closures, that is the position as it currently stands. If there are communities that are unable to operate as a consequence of the last branch in town closing, if the post office service and the ATM infrastructure are not adequate, and if there is not a local branch within a relatively reasonable distance, I think it is something that should be requested and reviewed. That would be my position on it. It does not mean that we will never look at that. It should be considered as part of the assessments that are undertaken. Now that we have the



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solutions and potential options that are available to us to improve the service, we are in a much more encouraging position that we have been historically.

**Carol Anderson:** We have 17 pop-ups already in Scotland. We have another three that will be opening before the summer. Over and above that, we are involved with the Cambuslang hub, so we are there for one day a week, and we have already signed up to the Carnoustie hub, so again we will be there one day a week. As I said earlier, from the summer, any community can approach LINK if it feels that it does not have the right access to cash. That is open to any community.

Q197 **Mhairi Black:** Thank you for giving us your time; it has been really informative. I would like to follow on from Mr Ross by asking about the access to banking standard. First, do you think that the current system of self-regulation of closures is still appropriate?

**Reza Attar-Zadeh:** I think that the access to banking standard is very thorough in what it asks banks to consider in respect of any closure. We have to consider very carefully the customer implications, the demographic, the branch usage and other signs of vulnerability such as financial difficulty and power of attorney, and have an understanding of the business of the local community. The standard is very thorough on understanding our customer demographic. It also requires us to look very closely at the local services that are available in terms of alternative branches—Santander branches in our case. Post office services, free-to-use ATMs and so forth are looked at, and cashback without purchase is another recent development that is important in terms of service provision. Looking at the local services is really important.

Last but not least, there is the work that we do to educate our customers on the alternative services that are available. As we discussed earlier, the fact that the post office can be used to make deposits and withdrawals is not that widely known. The process is very thorough in that respect. With the FCA reviewing our processes and what we are considering in terms of our closure proposals, this is a very thorough process that we all need to go through before any decision is made.

Q198 **Mhairi Black:** Following on from that, could you help out and give us an understanding, in layman's terms, of what an impact assessment by your organisation would entail? How would it be carried out?

**Reza Attar-Zadeh:** Basically we have good analysis that we can utilise. We know our customer base very clearly. We know how many people use the branch network and what kind of transactions they undertake. We know their use of digital, whether it is internet or mobile banking. We also have insight into whether customers use other branches and we know whether they have used a local post office. We have a lot of analytics at our disposal that allow us to understand the movement of customers. Obviously, speaking with some of our managers who have local understanding is important to determine our customer insight. We have many things at our disposal to create a rich insight into the community.

**Q199 Mhairi Black:** Mr Diggins, would it be a similar sort of process for yourselves?

**Ricky Diggins:** We look at over 100 different data points to really understand the needs of our customers in individual communities, but we go beyond that, and the really important aspect of our review process is that we would visit those individual communities. That is a really important step for us to understand how those communities operate, and what alternatives there are in terms of access to cash. That goes beyond just looking at whether there is a post office in the local area, to looking at the facilities in that post office. Does it have level access? Is a separate counter available?

A really important part of our closure review process is to understand the needs of the customers, even looking at things like access to public transport. What is the frequency of those services if people want to access another branch? In addition to the 100 or so data points, which give us a good overview, that local community visit is a really important aspect.

**Fergus Murphy:** I agree with what the two gentleman just said, so I will not repeat it, but it will be very similar. I think the evidential requirements that we have, in terms of assessing whether a branch should be closed, are high, as the other witnesses just mentioned. That gives us a bedrock or anchor point as we move forward now into the next environment, which will be regulated. I think the bar will go ever higher, which is a good thing, in terms of the requirements on banks to ensure that they are absolutely guaranteeing good customer outcomes, that vulnerable customers are looked after and that customers have access to cash. I think that that explicit intent is there. Again, I think the CAG will bring it on to the next level, and all the work that is being done through the Lending Standards Board and the FCA guidelines will help us in that regard.

**Carol Anderson:** Very similar. Over and above that, we look at the customer base. Some 93% of our customers have been able to get to one of our branches or pop-ups within 20 minutes. We also make sure to look at the local businesses that bank with us. We have a connection with Square, where we can provide contactless facilities for businesses. We also have a vulnerable customer approach. It is all very similar.

**Q200 Mhairi Black:** Following on from that, could each of you give me an example of somewhere in your organisation's impact assessments where they have decided to change their mind on a bank closure?

**Fergus Murphy:** In our case, I cannot give you one. I think the reason for that is that, again, the hurdle rate is high. The closures that take place and the decisions that are made are quite clear, based on the evidence and the facts and the insight that we have.

**Ricky Diggins:** I have a very similar response to Mr Murphy. Because of the robust process that we go through, if there were any concerns that we identified through the review of the data or the community visit, we would have removed the branch earlier in the process.



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**Mhairi Black:** Judging by the nodding heads, it is the same for yourselves, Ms Anderson and Mr Attar-Zadeh.

**Carol Anderson:** Yes, we would have removed them prior to going public with the closure. We would have removed it at that time, and we have done.

Q201 **Mhairi Black:** This is my last question. Do you think it would be quite fair for any normal person in the public watching this to be concerned, given that nobody has real-life examples of banks that have been saved by communities? Is that not a cause for concern, or certainly an indication that the access to banking standard is not quite cutting it, for instance?

**Carol Anderson:** I think customers will not know about the full preparation and insight that goes in before we even get to that decision. We do say—this is not being glib—that we do not take these decisions lightly. Nobody likes to announce that they will close a branch. We thoroughly research it before we get to that stage. I believe that is why we do not announce it and then turn back on that decision.

Q202 **Chair:** Could I just ask what you make of the Access to Cash Action Group's proposal that LINK take over this assessment? It would be their responsibility to look at and independently assess bank or ATM closures. Is that something you support?

**Carol Anderson:** Yes.

**Fergus Murphy:** Yes.

**Reza Attar-Zadeh:** Yes.

**Ricky Diggins:** Yes.

Q203 **Chair:** So you would be quite happy to have all those decisions taken out of your hands, even though you have done this all independently? You would assess all your infrastructure and branches, and then you would leave it up to LINK to decide what to do at that point? That is roughly my interpretation of how this would work, unless I have got this wrong.

**Reza Attar-Zadeh:** To clarify, my understanding in respect of the provision that they would deploy in a situation where the last bank in town is shut is that they would make a decision as to what the right solution would be for that community in order to access cash.

Q204 **Chair:** Okay. Let us say that you have showed quite clear determination to close a branch and have considered all other options. If LINK turns around and says, "Well, we think this branch should be maintained," would you go along—although perhaps not happily—with that recommendation?

**Reza Attar-Zadeh:** If it was a shared banking hub and that was their recommendation, we would have to follow the criteria under which they determined that conclusion, yes. That is the mandate they have been given.



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Q205 **Chair:** Is that the same for everybody here? It seems like a very positive development, and it gives a little bit of hope. All our communities have been spending all this effort to try to lobby you guys when it comes to a branch closure, but maybe they should be at the doors of LINK to say, "This is what we believe should happen."

**Fergus Murphy:** I agree with what Mr Attar-Zadeh said there, Chair—that is correct.

Q206 **Chair:** Okay. Lastly, do you think legislation is required? I know that this has been discussed, and there is talk of giving the FCA a role in all this. Is that also something that you would welcome? There are nodding heads everywhere.

**Fergus Murphy:** The international trend is that some kind of legislation would come into place. That probably is a good thing.

Q207 **Chair:** How far would you be happy for that legislation to go? What sort of role would you envisage for the FCA to have when it comes to legislation? I know that the Treasury Committee has had lots of discussion about that. Mr Diggins, I can see you are nodding.

**Ricky Diggins:** We would welcome plans for legislation. We think that it should be a simple set of geographic requirements and that all providers across the sector should be involved in that legislation, including the newer banks coming into operation, the Post Office and independent ATM providers, which should equally be reviewed under that legislation.

**Chair:** Okay. That is a relatively positive note at the end and another all-round agreement. Thank you ever so much for coming along today. I know this is the second time that some of you have been here to help us with this short inquiry. I think there were a couple of outstanding questions on which you said you would provide information to the Committee, so we look forward to receiving that. For today, thank you once again for your attendance before the Scottish Affairs Committee.