

Scottish Affairs Committee

Oral evidence: [RBS branch closures](#), HC 682

Wednesday 17 January 2018

Ordered by the House of Commons to be published on 17 January 2018.

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Members present: Pete Wishart (Chair); Deidre Brock; David Duguid; Hugh Gaffney; Christine Jardine; Gerard Killen; John Lamont; Paul Masterton; Danielle Rowley; Tommy Sheppard; Ross Thomson.

Questions 1-146

Witnesses

I: Emma Cooper, Chief Executive, Scottish Rural Action; Lyn Turner, Regional Officer, Unite; and Charandeep Singh, Head of External Relations, Scottish Chambers of Commerce.

II: Martin Kearsley, Banking Director, Post Office; and Tom Moran, Network Development Director, Post Office.

III: Les Matheson, Chief Executive, Personal & Business Banking, RBS; and Jane Howard, Managing Director, Personal Banking, RBS.

Written evidence from witnesses:

- [Unite Scotland](#)
- [Scottish Rural Action](#)

Examination of witnesses

Witnesses: Emma Cooper, Lyn Turner and Charandeep Singh.

Q1 Chair: Welcome to the Scottish Affairs Committee and our one-off inquiry into the RBS closure programme of branches throughout Scotland. We are very grateful to you for turning up at such short notice. For the record, please say who you are and anything by way of a very short statement. We are very constrained for time this morning, so keep it as limited as you possibly can.

Charandeep Singh: Charandeep Singh, Head of External Relations from the Scottish Chambers of Commerce. Given the time constraints, I have just two quick points. From our very early intelligence gathering on today's topic of RBS closures, the important points to note are that broadly speaking across the membership there is an overall positive sentiment held about the Royal Bank of Scotland and its operation in local communities and in the membership. The Royal Bank is also a very active member across the Chambers of Commerce network, supporting a lot of the services that we deliver and engagement with our membership. One of the key priority areas that we have discovered and we can discuss in more detail—and this is across the regional chamber network—is the issue of it being difficult for businesses to transition from traditional banking methods to newer banking methods. Those are the two key priority areas that we have discovered.

Lyn Turner: Lyn Turner, Regional Officer for Unite the Union, covering RBS in personal business banking. I have been the officer with a responsibility for that for just over three years, but this is one of the most aggressive rounds of branch closures I have seen in my time at RBS.

Emma Cooper: Good morning. I am Emma Cooper, Chief Executive of Scottish Rural Action, which responds to give a powerful voice to the people of rural Scotland. Understandably, a number of our members and the wider community have contacted us about this particular round of RBS closures. They are concerned particularly where it is the last bank in the town that is being closed. They are telling us that the alternatives are not particularly suitable for meeting their needs and they are feeling that this is a disturbing and upsetting round of closures that RBS has undertaken. However, of course, it is not just about these closures and not just about these towns losing their banks. Other towns have lost their banks too and we feel that where on this occasion the Government and taxpayers have a large percentage of the stake in RBS, if we cannot step in at this point when can we actually step in.

Q2 Chair: Thank you very much for those very short contributions. Could we start off by all of you telling us the impact on the people you represent, what will happen with this bank closure programme? I know there are particular issues with you, Mr Turner, but we will come to Mr Singh first because you supplied us with this very helpful map that shows in quite sharp detail the number of closures that we have seen across Scotland.



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Could you tell us what these closures would mean for the people that you represent, please?

Charandeep Singh: The Scottish chamber network has 26 accredited Chambers of Commerce across Scotland, so getting that very quick level of intelligence is very helpful for us but it also means that we have on the ground intelligence as to what is happening and how businesses are responding to not just the changes that we are talking about today but changes overall in how businesses are operating and consumer behaviour as well. Different parts of Scotland are treating this differently. Rural areas are more concerned about some of the branch closures and, of course, that is not just limited to Royal Bank of Scotland. This is a banking industry-wide development and change globally.

One of the things that has come across the piece, whether it is rural or urban areas, is that consumers are behaving differently, as are businesses, and they are very much taking the banking mix in the round. They are using physical bank branch presence where it is available or using the online banking provision, which has become more and more popular, not just for businesses but also for consumers. The third part is understanding how to use alternative services better, whether it is the Post Office network or the courier service for large cash deposits. Businesses are trying to be as pragmatic as possible in this area and that provision and level of information is exceptionally important, but there is a recognition from the business community that any bank, the Royal Bank or otherwise, has to look at its own commercial viability and sustainability.

Q3 Chair: We will come to you next, Ms Cooper, and thank you very much for the written evidence that we have managed to secure this morning. Could you talk a little bit about some of the impacts on rural areas? I think most of around this table represent parts of rural constituencies. I was at a protest in Aberfeldy on Friday. It takes a lot to get the good people of Aberfeldy protesting but RBS closures have managed to secure that. Could you tell us about the impact on rural areas?

Emma Cooper: We contacted people who are going to be affected by these closures, and that is the evidence that you have received from us this morning. The people who find it harder to access the alternative banking services will be those who are most severely affected, such as those with mobility issues. We are talking about rural areas with poor transport links and it can take people a really long time, having to use several modes of transport and at great expense, to travel to the next nearest bank, sometimes involving ferries as well as public transport. People who have mobility issues are going to find it difficult to access transport but also to access mobile banking vans.

People in rural communities are telling us they have concerns about accessing online services because of the internet, of course, but also the UK Government's digital inclusion strategy states that 10% of people,



because of literacy or disability issues, may never be expected to be able to use online banks.

Those areas losing their last banks will find it very difficult to access alternative services. People need to use cash still. We find that cash transactions are really important for people. For our rural businesses we find that if people can easily access cash locally they spend more in the local shops and that is really important for local communities as well. The people who have other responsibilities, caring responsibilities, are going to find it harder to travel to access alternative banking services. The communities that are already more remote, have poor transport links and poor broadband access are going to be those that are hardest hit by the bank closures.

Q4 Chair: Mr Turner, what is the impact on the members you represent?

Lyn Turner: The last round of branch closures with RBS finished on 12 October. The ink was not dry on that round when we were presented with a business case on 1 November calling for some 758 branches throughout the UK to close, 62 of which were in Scotland and 13 of which are the last bank in town. If you work in the branch network currently, after round after round after round of branch closure—I think this is the fifth round of branch closures now—there is an uncertainty about whether you are next, with the exception of St Andrew Square, because if RBS shuts St Andrew Square the game is over.

Unite fundamentally believes that this is about downsizing of the bank, ripening it up to go back into the private sector, and I have no qualms about that. You can see it clearly. If it is not branch closures, there are other things happening within its mortgage unit and within fraud. We are receiving a number of business cases from RBS, so I am convinced this is about ripening it up to go back into the private sector. I think the Chancellor made note of that with a £21 billion loss: is that value for the taxpayer? While I am on my high horse, Chair, there was an adjournment debate not long ago and the Minister's response was that people should vote with their feet. With 71% or 73% owned by the taxpayer, if this was a business run by any one of us around the table I am sure you would not say vote with your feet and go elsewhere. There are fundamental issues with what is happening at the hierarchy within RBS at the moment.

Chair: We will come to some of the issues about job losses in the course of the questions.

Q5 David Duguid: Ms Cooper, you have already mentioned the impact in rural areas on people with mobility issues. I will ask the same question of the other two panel members in a second, but particularly in the rural areas, have you taken into consideration other factors that are happening in our rural communities, such as the cutting back of bus services and doctors surgeries shutting down in various places, requiring people to be more mobile? Is that something that is factored in or have you been



looking at just the banks?

Emma Cooper: We have been looking at the banks on this occasion, so this consultation is about that, but we also ask people about those sort of cumulative impacts. There is a fear in rural communities that they are being left behind or they are being forgotten. We have seen services lost in rural areas, rural schools closed, health services moved to a more centralised location, and all of these things have an impact on rural communities. In some areas we have seen significant population declines in rural communities and people are concerned that if towns are losing their last bank—and this is just one round of closures, there have been others—people will not want to live there anymore. If you can't access a bank or a health surgery, if you can't travel easily to work or to school, these things become an ongoing problem for rural communities.

Q6 **David Duguid:** I will ask the other panel members for their opinion or any assessment you have done of the closures on some of the more vulnerable groups such as the elderly and people with disabilities.

Lyn Turner: RBS's solution to this is about community bankers. When we were discussing the branch closures with RBS, my understanding at that point was there would be seven community bankers in the whole of Scotland, two of which would be in the Highlands. That is two covering the land mass of Belgium. Is that really the way to go with supporting rural areas with banks and branches? I don't think so.

Q7 **Chair:** We have heard this community bankers issue raised on a couple of occasions. Do you have any understanding of what these people are supposed to be doing and the services they provide?

Lyn Turner: It is to go into local clubs and show people online banking, which the community bankers will do. I think it is important to put on record, Chair, that I had a phone call the other day from one of our reps to say he went out with a community banker who got the impact from members of the public—this is a person who is just going out to do his job and didn't make the decision to shut these branches—and the guy was at his wit's end.

Charandeep Singh: We have several chambers in the rural areas. Let's take Caithness constituency as an example, which has been in regular dialogue with Royal Bank about some of the changes. It has been very responsive in speaking to the Caithness business community about some of the changes that are coming up and how businesses can transition from existing services to some of the newer services. We have not looked specifically at individuals with disabilities, for example, but we have raised the issue of the ageing demographic in some of the rural regions that is potentially less likely to use cashless payment options or online banking. But that is an ongoing discussion at the moment with the businesses that could be affected by that.

One of the key areas is that the rural business community is also looking at advances in technology and how they can better service and use these



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elements in the business community in particular. That is why investment in the digital infrastructure was such a key priority area for the businesses in these regions. It is very much a takeaway from our intelligence gathering that that investment is paramount whether there is a bank presence or not.

Q8 John Lamont: Can I ask when you were first made aware of the plans by the bank to close these branches?

Lyn Turner: Unite received a business case on 1 November, met with the bank on 8 November, and that is the scenario. I think it is fair to point out there is very little I can actually mitigate in a consultation when the decision has already been made. It is 62 branches in Scotland. You don't think of that overnight. In my view that is at least six months in the making, so they already knew from the last round that they were going to make another 62 banks in Scotland close. From our point of view, there is consultation in some respects but there is an argument to be made about whether or not it is meaningful consultation because there is very little I can mitigate for jobs or influence the branch closures.

Emma Cooper: We found out in the national press, as did rural communities, which they were very disappointed about, it should be said. I feel that if discussion had been held with communities in advance of the decisions being made perhaps some compromises could have been reached or some alternatives could have been discussed. We have incredibly strong and resilient rural communities in Scotland and they are suggesting alternatives now, but giving them more time and the option to talk to people from RBS about some sensible alternatives and solutions would have been very useful for them.

Charandeep Singh: We have regular engagement with the Royal Bank of Scotland at events or meetings. In terms of the consultation process, we have not had a lot of representation from the business community about whether it is the right process or whether that needs to change, so there is not much I can share. We know that there is a six-month consultation period, as far as we are aware, between the Royal Bank and business communities. We are happy with that at the moment.

Q9 John Lamont: None of you were consulted in a way that you think appropriate by the bank before this announcement was made to shut these branches?

Charandeep Singh: As far as I am aware, there was some. I would need to double check. There was some individual consultation potentially with some of the local chambers, but, of course, that is a role for Royal Bank.

Lyn Turner: I do consultations day in, day out as part of my role as an officer for Unite the Union. I would say the consultation was very limited.

Q10 John Lamont: I want to go back to a point that Emma Cooper raised earlier. Tim McCormack runs a shop in Coldstream next door to the Bank



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of Scotland and he has noticed a very significant drop in footfall on Coldstream High Street since that branch was shut. From Emma Cooper's perspective and the Chambers' perspective, what assessment has been done of the footfall figures for high streets that are now losing these branches or from previous closures or what the anticipated drop is going to be as a consequence of these branches shutting?

Emma Cooper: We have not carried out any assessment of that kind. The feedback from communities is exactly what you have said, that people feel there is a knock-on effect from losing that, particularly in areas where losing the last bank also means losing the last ATM. People in some places are going to have to travel quite significant distances simply to get £20 out of the bank. If you are on a low income that is going to have an inevitably serious impact on you and it is going to have an impact on the shops. There was evidence presented to the Committee by somebody else—I think it was maybe FSB—that there is a £16 return to the high street for every transaction from an ATM. That is significant in our rural areas. These communities rely a lot on tourism and the business generated by people visiting the area. If they can't access cash—and we know that card transactions are quite expensive for retailers and for smaller businesses in particular—that is going to have an impact on those areas.

Charandeep Singh: We have not done any independent analysis on this yet but there is a fair number of studies out there on the future of the high street, what it used to be and where it is going. Banks have an important role in making sure that the high street is prosperous but equally so do other retailers and additions to the high street. Our soundings from the chamber network have indicated that the provision of an ATM machine is quite important, even if a bank is not there. Our business representations have looked at that having a bank presence if it is available or ATM machines or cashless payment points are all important. Equally, the Post Office network has come up in some of our representations and the Post Office plays a very important role in depositing and withdrawing cash.

Q11 **John Lamont:** From the Chambers' perspective you would be concerned and your members would be concerned if a decision by a bank was having an adverse effect on footfall and trade figures and the income of local businesses in these rural communities?

Charandeep Singh: Anything in a high street perspective that would have an adverse effect on retailers or local communities would be a concern.

Q12 **Tommy Sheppard:** Mr Turner, could you say a little bit more about your suspicion that the reason for these closures is to prepare the bank for sale in the City? Could you speculate on whether the bottom line is the only consideration that people might take into account when deciding whether to purchase or purchase shares in the bank? To what extent do you think the morale and experience of the workforce or the reputation of



the brand in the communities it is trying to operate in are factors as well and whether they will be impacted by these decisions?

Lyn Turner: Morale is down, obviously, because there is this uncertainty about what is next. As I said earlier on, there are job losses within RBS not just in the branch network. It is the downsizing of particular departments where you can see employee numbers going from X to Y. I am involved most days with TUPE transfers and you can see when a business is slimming down to such that it is getting ready to go back into the private sector. We are convinced about that, the way that management, frontline staff, backroom staff are slim lining. It is across the board with RBS.

On value going back into the private sector, I would like to think for once that there are no more branches to close now within RBS. Do they want to keep the branch network or is it purely mortgages that they want to keep? My understanding is that their mortgage book is pretty healthy and focuses on the mortgage. They constantly tell us now that it is 24 clicks to get a mortgage, so there is none of that face to face. I can remember my dad putting on his suit and being nervous when going to visit the bank manager. A bank manager now can be a 25 year-old kid, basically, working in a branch and that is the branch manager. The dilution of the branch manager is something else that is worrying.

Q13 **Christine Jardine:** You all said that you had not been consulted before the closures. What consultations, if any, have you had with RBS since the announcement?

Emma Cooper: We have not had any consultation as an organisation and communities have had very little communication from RBS beyond the standard fact sheet that they have been sent.

Lyn Turner: The process with the Royal Bank is to send us a business case. In seven days we meet with the bank, meet with the relevant management team that has made that decision, and then they tell us what they are doing and the reasons why is because of footfall, more people are banking online, the usual stuff they told us four rounds of branch closures ago. We dispute, fundamentally, the figures of footfall. Our members and my reps tell us that branches are queued out the door; even the ones earmarked for closure are queued out the door. I will give you a scenario. In West Lothian they started off with Armadale, telling people they can go to West Calder, Fauldhouse. They shut Fauldhouse, telling people they can go to West Calder. Every bank that they have said people can go to have been shut at the next round. In the whole of West Lothian now all you have is two branches.

Chair: I will say to colleagues that we are very time constrained today, so if supplementary questions could be short and perhaps we get only one response from the panel, if you direct it towards one of the panel, that will help. I am sure that David Duguid will help us out with that one.

Q14 **David Duguid:** I want to direct this to Ms Cooper. You mentioned



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something that reminded me of an anecdotal story I heard. When ATMs close down in banks they sometimes move or local supermarkets or corner shops will start an ATM service. The anecdotal evidence I have heard is that when this happens in rural communities in particular the less secure premises, less secure than a traditional grand old bank building for example, have led to an increase in ATM theft. Is that something you have looked into at all?

Emma Cooper: We have heard a number of concerns from people in rural communities about the security of some of the alternatives. Banking in a Post Office is less private, for example, and likewise in a mobile bank van. People will know when you are going to a mobile bank van and if you are a business that you are likely to be carrying a certain amount of cash for the week. We have heard from people who are concerned about those aspects and likewise ATMs are often in little shops, it is quite crowded, there are a lot of people around. They can hear you having that conversation; there is a bit less privacy and a bit less security in that respect too.

Q15 **David Duguid:** To follow up on something Mr Sheppard said about the empty premises, I can think of about three or four banks in my constituency alone that have lain empty for over a year. Is that something that has come out in your research, and why that might be?

Emma Cooper: Yes, it is quite mixed. There are a few communities or a very few respondents who felt that freeing up a building on their high street might be positive for the local area because they have quite a high demand for buildings. In a lot of places and with some of the previous closures, as you say, those buildings have lain empty for quite a long time. High streets are generally suffering. They are finding it more difficult to keep business going with more online deliveries and services available to people. Where RBS may be expecting to make some money out of selling those buildings, I have some concerns that that won't actually materialise and we will see more empty buildings.

Lyn Turner: Could I add to that? My local MSP wrote to Ross McEwan when our local branch shut, thinking that RBS would donate or at knockdown price give the building back to the community, only to be written to by Ross McEwan to say he has to get the value for shareholders. They wanted top buck for the local folk.

Q16 **Hugh Gaffney:** I have heard Lyn saying this is the fifth round of talks. You have been part of this campaign, I take it, before this round of closures. Has RBS consulted you at the same time as it contacted Unite members to say there are more talks? The question I am asking is has there been a relationship built up with RBS in the rounds of talks? You say it was picked up in the national press, which disappoints me if you were involved in the campaign before that. That is the question I am asking.



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Emma Cooper: We have not been involved in the campaign before this, so this has raised the profile of bank closures in rural areas. We have heard about it from members before but other things like broadband and transport have been a higher priority for members. On this occasion, however, I think that because we are seeing so many rural areas losing their last bank we are hearing a lot from members about their concerns.

Q17 **Deidre Brock:** I have been told by a colleague, a Glasgow MP, of a branch that had a business advisory service and that was shifted to another branch and then some months later the original branch was closed because I think one of the arguments was that the footfall was not high enough but, of course, a lot of the business had transferred. On your views of the deliberate stripping of the service, have you heard that from other areas, an attempt to shift a successful part of the business to another branch before they take the decision to close it?

Lyn Turner: You can see that in personal mortgage advisers, for instance. Personal mortgage advisers are no longer going to a certain branch and you can tell the writing is on the wall for that particular branch. The knock-on effect when they close branches is the reduction in personal mortgage advisers. If they do away with personal mortgage advisers, they want everyone to go through the telephony route. You phone up, "Can I get a mortgage?" and you will go through the process. There is none of that face-to-face opportunity to ask questions now. It is over the telephone.

Q18 **Paul Masterton:** The consumer magazine "Which?" did a study that showed that my constituency in East Renfrewshire was one of the worst affected by branch closures in the whole of the country. All banks and RBS in their impact assessments are talking about ways that customers can access their services through other alternatives. In reality, in your view, how well do these alternatives that RBS and all the other banks talk about at closure time meet the needs of both personal and business customers?

Lyn Turner: In respect to substituting the branch?

Paul Masterton: Yes.

Lyn Turner: For instance, are mobile vans a solution? In the Highlands there is snow. You have just taken £5,000 over a Christmas period and you are the local butcher. Where do you put the money? You can't take it to the Post Office because that is capped at £2,000. There are security issues as well. Does the butcher put it under the bed until the van gets up? If a family member passes away, are you going to have a discussion in a van with an individual when you want a proper sit-down to discuss it? Mobile vans are not the answer and community banking is not the answer. The answer is to either keep the branch open or some shared banking process needs to be looked at.

Emma Cooper: Our members are telling us that there is a serious skills gap in online banking and a lot of people are expected to never use the



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internet effectively, as I said earlier. Vulnerable people are even less likely to use online banking. People have quite low levels of trust in online banking and that is quite understandable given some of the history there. It is quite expensive to access the internet and if you don't have a local library, or perhaps you are not even comfortable doing your online banking in a library, you can't access it there. There are access issues with mobile van banking. If you have a disability or mobility issues you might not be able to get into the van and you might have to do your banking outside the van in the rain or the snow or the wind, because we do live in a wonderful country but it is Scotland. People are concerned about limited opening hours of other services, mobile banking vans in particular but also Post Offices often have shorter opening hours. All of these offer limited services. There are limits to the amount of cash you can deposit, the amount of cash that you can withdraw from these services. Overall a very low percentage of people who responded to us felt that any of those met their needs in full.

Charandeep Singh: From the business perspective, a vast majority of businesses are already using a mixed banking approach anyway, so some of these changes or alternative measures are already in place or they are transitioning to those already. There are the usual concerns about opening hours, whether you are a business or an individual. We have had a mixed response to that. We have had some representation where the Post Office network in a particular region was open just as long as the bank would normally have been open. Equally, we have had representations elsewhere where the opening hours are limited. From a business perspective, trying to get a comparable service is very important but where it is not businesses easily adapt towards it.

Q19 **John Lamont:** My question was about the inadequacies of the internet service in many communities to allow people to do online banking, and I think you have covered that adequately already. I wanted to put a suggestion to you that came from one of my constituents about the idea of doing what the Post Office does in putting a hosted Post Office service within a local business, a local corner shop. Do you think that is an option that RBS should be pursuing or thinking about for ensuring that the service continues and at the same time supporting a local shopkeeper?

Lyn Turner: There is a possibility to look at shared banking, but obviously there needs to be a change in the regulations for that. Banks in general need to look at options, just not wilfully—fundamentally, who makes the commercial decision to shut a bank? What is the process for that in RBS? The option is if we support a local shopkeeper by having some sort of community bank in the back of the premises, how does that look for security and for the local clients as well?

Q20 **John Lamont:** Does that mean it does not work for the Post Office now? Is that also a criticism of the Post Office?

Lyn Turner: There is, because you are capped at £2,000 and if you are a business you are limited in what you can pay in. Post offices themselves



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are very busy with people. The element from our point of view, this was raised with me—is I could go and give £2,000 week in, week out to the Post Office and the person behind the desk would just stamp the slip and pass it on. If you had done that in a branch, the cashier has a regulatory responsibility to flag up transactions that do not look right to the internal fraud team for them to look at. If a back office function is just putting £2,000 into Mr Lamont's account in a back office, where is the security for the fraud element there? There is a number of fundamental questions that I think RBS needs to answer with regard to that.

Q21 John Lamont: Does the Chamber have a view about a hosted-type service?

Charandeep Singh: The intelligence that we have is that Post Office tellers and cashiers do receive the training about flagging up transactions and so on, so we have not had concerns about that from businesses. We are very much open to exploring options of that nature, particularly in rural areas where business can continue to have that service. Issues about privacy and security can get raised in a bank presence as well, depending on the users of that service. Having services that are designed to meet the needs of rural communities or urban communities should be taken into consideration.

Q22 John Lamont: Can I just check, is the Chamber consulting with all its members now about the impact of these branch closures?

Charandeep Singh: When we were invited to give evidence to the Committee, the time constraints were quite tight. At the moment we have been consulting with the network of our chambers, chief executives, presidents, boards, and so on, and after today we will be gathering some more information from the wider membership as well. We have been getting representations on this from some regions for quite some time, from late November, early December.

Q23 John Lamont: Notwithstanding the point you made at the very start about the positive engagement you have had with the bank up until now, if your members say they are not happy about this and if you come to the conclusion this is not good for high streets, traders and businesses, will you put forward a very robust case to the bank as to why these branches should not be shut?

Charandeep Singh: I think what is very important is that we engage with not just the Royal Bank but many corporates across Scotland on a very regular basis and we share concerns. If there is a privacy or security issue with the alternative service provision in Post Offices, they will be generally raised directly to the individuals who operate that function at Royal Bank. Where our members are saying they are not happy, we have said that. There are regions in Scotland that do not see this as an issue because they have very easy access to alternative services in urban areas, but then there are areas like Caithness that have made not only



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their individual representation from the local chamber but we have also made representations on their behalf to RBS via Ross McEwan.

Lyn Turner: But surely if the banks were truly consulting with the community, that would be flagged up in an impact assessment and from what I have seen no—

Chair: We have a number of questions still to go and we have very limited time left, so we will move on.

Q24 **Gerard Killen:** Under the access to banking standard that sets out how banks should manage branch closures, they are supposed to be providing information on how they are going to help customers to access alternatives. Has the information that RBS has provided to date been sufficient and, if not, what more could they be doing?

Lyn Turner: The only impact assessment, so-called, I have seen is on the internet. I read impact assessments on a monthly basis with local authorities and it is far from an impact assessment. It just talks about groups that they have consulted and complaints. It is not an impact assessment as you would think an impact assessment should be carried out. In our view, they have rewritten the rule for impact assessments.

Emma Cooper: We are quite concerned about some of the information that RBS has provided to customers and the quality of that information. People often don't understand what services are offered by the alternatives proffered, mobile bank vans, Post Offices and so on. Some of the travel information at the branches shows a lack of local knowledge and that concerns us when you think about the decisions having been made about these branches. RBS is suggesting that customers in Campbeltown should go to Brodick, for example, when in the winter there is one ferry a day, you would have five minutes, not even in Brodick, just on Arran, to do your banking. It doesn't work. Mobile bank vans are referred to in all of the information given out to different people but there is no timetable available and it is not very clear whether or not those communities will actually be getting a mobile bank van service.

We have some real concerns about that and we would like to see more detailed impact assessments. Ideally they should have been shared with the communities in advance of the decisions being made so that a conversation could have been had about what the impact would be on the communities. How can you know if you don't ask?

Q25 **Deidre Brock:** It is an anecdotal thing but I was told that when Dornoch lost all its banks it got two ATMs as a sort of consolation prize. Dornoch is way up north. Both of those ATMs are in shops that are closed at night and are not available for much of the weekend. Is this something that you think banks are taking into account when they are looking into closures? Are you aware of other examples?

Lyn Turner: Surely that must come out in an impact assessment. Clearly the bank are not doing it as it should be done.



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Q26 **Chair:** On this impact assessment issue that has come up in the last couple of questions, has none been done?

Lyn Turner: Well, the bank would say differently. If you go on to the bank's website there is a link that takes you to these so-called impact assessments. It does not tell you, as Emma has said, ways to bank for vulnerable customers. It talks about a branch drop by 40% footfall.

Q27 **Chair:** The impact assessment is just the stuff they are giving about footfall in a bank, just to clarify that?

Emma Cooper: Yes, they are not specific to the areas. RBS has advised us that it has done impact assessments but you will need to ask it. We can't see them; they are confidential.

Q28 **Deidre Brock:** Are these alternative ATMs being placed in accessible areas? Do you think they are taking that into account?

Emma Cooper: There do seem to be some problems there. As you say, often they are being hosted in small shops where access might be quite narrow. It might be quite hard for people with mobility issues to physically get to the ATM. There are privacy issues, as discussed before, and the opening times of those shops are a problem too. It is great in that it drives business, potentially, to a town or to a shop and that is a positive of doing that, but it is limited.

Q29 **Deidre Brock:** If you are like Dornoch, which is full of tourists all the time in the summer, who are expecting to get money out—

Emma Cooper: They can't access cash, which means they can't spend it and that is a problem.

Lyn Turner: At Castlebay, for instance, they are leaving an ATM. However, if that ATM was to break down or run out of money it is 24 miles to the next ATM.

Q30 **Christine Jardine:** I lived not far from Dornoch. With these closures, apart from Tain, where would the nearest RBS bank be? Is Tain closing as well? Where would the nearest RBS branch be to that part?

Lyn Turner: They have told us but I don't know. The next branch, for instance, could be 34, 35 miles away.

Christine Jardine: I just wanted to check. Thank you.

Chair: We have five minutes left and we have three questions. We want to deal with some of the staff-related issues with you, Mr Turner.

Q31 **Hugh Gaffney:** RBS has announced that these closures will lead to 158 job losses but we understand this may be the figure for full-time equivalents. How many members of staff do you think may be at risk of losing their jobs? It is the headcount I am asking; how many jobs?

Lyn Turner: There is some spin in respect of what RBS is saying to us. They say it is 165 full-time equivalents. It is actually 321 job roles, so



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they put two part-time workers together and that is one role. There is 321 quality jobs that are going to be lost within predominantly rural areas.

Hugh Gaffney: That is important; it is people.

Lyn Turner: Yes, absolutely. RBS says that in 2020 it wants to become the number one bank for customer service, trust and advocacy. From our point of view at the moment, is it really giving trust to its customers?

Q32 **Gerard Killen:** Briefly to Mr Turner on that point, I have been contacted by a lot of constituents who tell me that when they travel to wherever their nearest branch now is they wait for over 30 minutes to get served. Do you have any concerns about the increased workload that might have for your members and the staff who are remaining in RBS branches?

Lyn Turner: You might have a two-handed branch where the cashiers cannot take a break because there needs to be a minimum of two at all times. If the queue is out the door, our members are working through their lunch and shutting the door at 5 o'clock and then, free of charge, tallying up the tills at night. It has an add-on effect for our membership because they are doing more for the same and the bank needs to realise what its legacy is after this round of branch closures.

Q33 **Ross Thomson:** A question to Mr Turner. RBS has said that it hopes to manage the job losses with a minimum possible number of compulsory redundancies. What discussions have you had with RBS about exactly how they are going to achieve that?

Lyn Turner: RBS will open up the voluntary severance register and the enhanced terms for a redundancy within RBS are pretty good, so it would be remiss of me to sit here and bang the table and say we are opposed to this. The majority of our members have worked in the branch network for 25, 30 years. They get three weeks for every year, so they see a large chunk of money coming to them for voluntary severance. They really need to take voluntary severance because if your branch is shutting in Tain, where are you going to go? They will just say, "I am not going to be redeployed elsewhere. I will just take the money. I have done my stint of 25, 30 years and be gone", and the first week of July they finish up.

Q34 **Ross Thomson:** Following on from that, have you had any discussions at all with RBS about the support and training that could be offered to staff to help them to apply for other jobs, whether that is within the RBS group or with any other employer?

Lyn Turner: We do have discussions but it is difficult within the branch network. If it was a mortgage adviser or some other department within RBS, yes, fine about reskilling, but it is different with the branch network.

Chair: We are very grateful to all of you for kicking off this inquiry this morning. If there is anything else that you have heard, evidence that you may take, please get in touch with the Committee again and we will quite

happily accept that.

Examination of witnesses

Witnesses: Martin Kearsley and Tom Moran.

Q35 Chair: Thank you for coming at such short notice. We are grateful to you for coming and giving us your views about what is happening. You know we are very time constrained, so could you very quickly say who you are, who you represent and any very short statement?

Martin Kearsley: My name is Martin Kearsley. I am the Banking Director at the Post Office. I am responsible for our banking services on behalf of all of our partner banks. By way of a brief introduction—I recognise the time constraints—we handle about 120 million transactions a year on behalf of all UK banks UK-wide through every one of our 11,500 branches. There are about 1,400 branches in Scotland and last year we handled about 12 million transactions for the population there.

The services that we offer are what you might call basic banking services. They are all to do with cash in, cash out, cheque deposits, change giving for local businesses. As some of your prior contributors mentioned, due to the already busy Post Offices, which we are delighted are a mainstay of every high street, we are offering those services because they are the ones that typically keep the fuel going in the local community and they don't impact on our counter services particularly greatly because they are quick transactions. We cover about 99% of all personal customer accounts in the UK on behalf of all the banks and about 95% of small business accounts.

I would like to come back to some commentary about the different limits and caps at the Post Office, because there were some inaccuracies in one or two of those statements, but I think what those comments in particular speak to is there is a lack of awareness in general about the services that we offer, which we would like to try to do something about with the Committee's help, the banks' help and with our own marketing teams.

Tom Moran: My name is Tom Moran. I am responsible for the Post Office network of just over 11,600 branches across the UK, just over 1,400 of which are in Scotland. I am also responsible for the future of our network. I am delighted to be here to answer your questions and hopefully share what I think is a good news story and something that we are very proud of, which is our ability, with the help of thousands of postmasters across the country—including Scotland of course—to turn round what has been decades of declining network to one where I think we can say with certainty we have a stable network.

To give you a few numbers, in 2011-12 there were 1,411 branches in Scotland. We have 1,403 at the last official count. Of course, you have ons and offs as part of that, but it does mean that we serve the



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communities of Scotland very well, I think. When I look at the future of our network, I see banking playing an increasingly important part in that.

Q36 Chair: Thank you for that. This is about the closure of RBS branches right across Scotland. Could you start by telling us what services are currently available to RBS customers in some of these impacted areas?

Martin Kearsley: Customers of the personal side of the bank as well as the small business side of the bank can withdraw cash up to whatever limit the bank sets on their card. For cash withdrawal, you could consider it as an ATM with a smile. There has been a lot of comment about ATMs being the last place to draw cash. Forty-three of the proposed branch closures in Scotland are within 100 metres of the local Post Office in which we have extended opening hours. We are opening increasingly at weekends and through those branches we offer cash withdrawals to every one of their customers. We offer cash deposits for every one of their customers, including their business customers, up to and beyond £2,000, which I will come back to.

We offer a cheque deposit service. There are a couple of definitions in the banking regulations, the payment services directive. We act as a courier on behalf of their cheque service, which essentially means we take a cheque over the counter on behalf of the bank, we forward it through our own network each day, through the post, we take it to a processing centre and forward that to the banks. In terms of depositing a cheque, it might be an extra day in being received into the customer's account, but cash withdrawals and cash deposits are instant. They are immediate.

Q37 Chair: Just because we are short on time, I want to come back to a couple of things you said. You describe your service as an ATM with a smile. I don't know how much that would compensate people who are looking for a full range of banking services that are currently provided by the RBS branch. There is a big gap between what you currently supply and what is being suggested as being lost in these communities. Is there any way that you could start to even come close to filling the gap of what the normal expectation of a bank branch experience would be?

Martin Kearsley: Mr Chairman, we do not set out to replace the bank. I think it is worth stipulating that. We look to replace those daily transactions, the cash in and cash out. I think you are quite right, there are challenges with the broader product mix, but what we do with our partner banks is replace the daily cash in and cash out type services. Other services are for the bank to respond to.

Q38 Christine Jardine: You mentioned opening hours. In very many of the rural areas where there is currently no bank and there is going to be an even longer journey to a bank in the Highlands or in the north-east of Scotland, the Post Office is in a local shop or a coffee shop or something of that type. You can find yourself in those communities without cash and a lot of shops that don't take electronic payment. Do you have any plans to extend or make it part of the contract that there would be ATMs



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available? You say you are not replacing the RBS. Can you see the gap that is there for an awful lot of members of the public?

Tom Moran: If you don't mind, I will answer that one. One of the central themes, one of the main aims and ambitions of what we call network transformation, which is a huge programme that has gone right across the Post Office network—we have transformed our 7,500th branch just before Christmas—has been about trying to extend opening hours for customers. Over the last four or five years we have added 27,000 opening hours right across the country. To make that a bit more real, that would be making sure that the Post Office in a local corner shop, convenience shop, is open all the hours that that shop is open. If you think of your local corner shop, that could be open at 7.00 or 8.00 in the morning right into the night at 10 o'clock or 11 o'clock. For as long as that shop is open, they should be offering Post Offices services and across the counter is the services that Martin was talking about.

It is not so much do we have plans. I think it is something that we have been aiming to do over the last few years and our postmasters have achieved a huge amount as a result of that.

Q39 John Lamont: The expectation seems to be that the Post Office operators are going to be taking on more and more of the banking services as the Royal Bank of Scotland runs away from rural Scotland. I know from my constituency that Post Office operators are already struggling to make the business model work. It is fair to say that you don't pay your operators very much for banking transactions, do you?

Martin Kearsley: We constantly look at the remuneration that we pay our postmasters across over 300 products that we offer out of the Post Office counter. Banking looked at a broad mix. We constantly look at the number of withdrawals versus the number of deposits. Withdrawals are well remunerated and that to date has been the lion's share of the transactions that we handle. About three-quarters of all transactions are cash withdrawals and the remuneration for that is good and acknowledged as such.

On the deposit side increasingly—and this is industry-wide, not just RBS—as all banks are changing their estates, we are seeing an increase in business deposits. This is where small businesses, like the £5,000 butcher over Christmas comment earlier on, want to bring that in and deposit it somewhere. You don't want to get on a bus, you don't want to go to a van; you absolutely want to take it somewhere where there is counter, a face-to-face transaction and a receipt at the end of it. In those instances, deposits are increasing and we are constantly looking at remuneration to see if the balance is right now between what we pay for withdrawals versus what we pay for deposits. As that ratio changes, we will be looking at changing the remuneration as well.

Q40 John Lamont: Is it true to say that if a business turned up with £1,000 to bank at a Post Office in £50 notes they get paid a different amount



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compared to £1,000 in £5 notes or in £1 coins?

Martin Kearsley: That is not true, no. They get paid on the value of the whole transaction.

Q41 **John Lamont:** There is no differential about how long it takes to bank?

Martin Kearsley: There is no differential. It is about the overall value of the transaction, but we are investing with our network colleagues in providing equipment at each of those Post Offices whereby notes can be counted quicker. Polymer notes were launched recently and they are far more difficult to count because they have an embossed edge, so those machines are going to have to be changed. We are changing them as we go and those machines will also pull out counterfeits. There was a commentary earlier about security and what might be called suspicious transactions. We train all of our counter staff in exactly the same way.

Q42 **John Lamont:** They are penalised, aren't they, unlike the banks? If a bank staff member takes a forged note, that staff member is not penalised but a Post Office operator is penalised if they accept a forgery, aren't they?

Martin Kearsley: If a forgery is passed through to the cash centre and counted there, in other words it is not caught at the counter, yes, that comes off the postmaster's remuneration. That is why we are equipping the counters to be able to track them at the point at which they come over the counter.

Q43 **John Lamont:** To drill down to what that actually means, because they are getting more banking transactions as a result of this decision by RBS, there is a potential that Post Office operators are going to be taking more forgeries through their system and getting less remuneration as part of their contract with the Post Office.

Martin Kearsley: As I mentioned, as all banks change their estates and more transactions come through, absolutely, we are likely to be facing more counterfeits, which is why we are equipping the branches with the ability to catch them.

Q44 **Hugh Gaffney:** On the Post Office network in Scotland, are there any plans to change? You say there is 1,000 banks within 100 metres, but these are all franchised banks not Crown Post Offices. They are closing down banks with good skilled workers in jobs. On the Post Office network, are you going to improve the staff wages at franchises that are run by postmasters? Are the wages going to go up in the Post Office network that is going to increase their work with banks?

Tom Moran: Just to give the facts as a starting point for that. We have 1,400 branches right across the country and 20 of those are what are usually called Crown branches, as you know, our directly managed branches. The vast majority of our branches are run as independent businesses. In terms of what we pay our agents, we have contracts with them. Martin was mentioning that we constantly review it.



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The point I always come back to when we are looking at anything like this is that because, as you say, they are independent businesses, I have no power to force anyone to take on a Post Office. It needs to make sense for them. It needs to make sense in the money that they get and everything else that goes with that. A pretty good indication of whether or not we are getting that right is whether we have a stable network. If we are not paying enough or we are not giving enough support or something else you would see that in the Post Office network going down. I think that is why network transformation, along with a whole load of other hard work, has been so successful because what it has meant is that we have had lots of people willing to take on a Post Office and make it work for their business.

I was struck by something that Ms Cooper said in the previous session: if someone can get money out, they need to spend it somewhere or they have the ability to spend it somewhere in their local community. For hundreds of the branches in Scotland, a Post Office is not a standalone shop. It is within another shop, typically a small shop within a community, what you would call a corner shop or a convenience retailer. It works really well. It is a great model. You take the money out and typically you would then spend some of that money in the store, so using the money twice. It helps the community and obviously helps the person owning the shop, and that is a model that works.

Q45 Chair: Is the difficulty not trying to secure a Post Office arrangement within a local business? I have a couple of examples in my constituency in a rural area, in a city, and it is so difficult to try to encourage a local business to take on a Post Office. Most believe it is cumbersome and the other reason is they believe the margins of any sort of operation are so marginal that they see it as an inconvenience to their operation. That is the real experience that we find in our constituencies.

Hugh Gaffney: The banks are providing professional people. Financial advisers are not going to be in some of these Post Offices to help out, which we are losing. Again, it is playing down the wages and the banking system, because the majority of the Post Offices are a franchised setup. We are losing skilled workers from RBS, closures, people with good terms and conditions and the same workers who want to do the same work. On the footfall, you gave most of the contracts to WH Smith and the first thing they did was stick it in the back of the shops so that people had to walk through the shop. I should declare, I am ex-postman and I have done a lot of campaigning to keep the Post Offices open and just as I was going through the exact same thing, namely the banks, and wages have been down, wages have not gone up in your professional business. I will leave it at that, Chair.

Tom Moran: There is a few things to pick up there.

Chair: Address Mr Gaffney's point, then we will come back to this.

Tom Moran: I will do. The first thing is I do not think it is fair to call people unskilled. The reason I say that is that every single one of our



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agency staff is trained and trained pretty comprehensively in a whole range of different things that match the services we would expect them to provide.

Martin was really clear. We do not pretend to offer all the services that RBS or another bank would offer, so that is one point. In terms of wages, just for the Committee's clarity, for those 20 Crown branches where we employ people directly we pay them wages, just as I am paid a wage by the Post Office. It is a different arrangement obviously in that we have a commercial contract with franchisees and they get paid based on how many things they sell. That goes back to the remuneration point; are we getting it right? How do we tell whether we have it right? The stability of our network and the fact we have been able to open longer hours is for me a good indication that, of course, there is more we can do but I think we are in a pretty good place.

On the work we have done with our own staff, we have reduced the Crown network. Every single time we have replaced the Crown—and there have been five instances of those over the last four years in Scotland—we have replaced it with a branch no more than a few hundred yards away that is open the same hours if not longer. In fact it is about 17% longer hours open for those five and they offer exactly the same services that the Crown branch previously offered.

Q46 Chair: What about my point about the difficulty we have in securing premises for Post Offices and the difficulties that businesses have and their assessment that the margins are so limited that it is hardly worth their while?

Tom Moran: It does not work for everybody and that is why we sought to arrange for different potential operators. There are examples—I am sure you can all cite them from your own constituencies—of where one or more businesses, people, whatever you want to say, have decided it is not for them. If you look at the country, Scotland or the UK as a whole, there are more than enough people who do choose to take on a Post Office.

What we also do, and it is not so much a plan B as something that we do when it is appropriate, is we have—I think someone mentioned—outreach Post Offices previously, some of the hosted branches, in areas where there are simply not that many people, not that many customer sessions as we would call it. We do look to be as flexible as possible. There are 30 branches in Scotland where there are fewer than 10 customers a week and of course that is not typically what a business would maintain but it is an important part of the purpose and the service we provide to communities right across the country. I think that flexibility means that we can still serve communities in a load of different ways.

Q47 Gerard Killen: On the point Mr Wishart is talking about, it being difficult for some businesses to host a Post Office, I have heard from a lot of businesses in my constituency who are very concerned about a decline in



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footfall as a result of banks closing and we know that high streets are already struggling. Have you made any assessment of risk of the businesses that your Post Offices are currently located in failing and what option you would do? Would you remove the branch from that town or would you put it in another business or its own unit?

Tom Moran: A broader answer than from Martin on what we see in increased banking transactions. We constantly monitor the network and we would always see what I suppose you call churn, so a branch closing for whatever reason and something opening up and that happens for a whole range of different reasons—someone could retire or chose to sell their business on. That is a pretty everyday event and wherever that happens in a place where obviously we still need a Post Office, we have a team out there on the ground and they will do what you would expect them to do, which is to speak to local businesses and see if we can find an alternative. The majority of the time we are very successful at doing that.

On the overall assessment, one of the wonderful things about the Post Office is that we have a whole range of different things that make up what you offer as a Post Office. About 60% is what we call mails, posting things; fewer letters but more parcels. That is something that you will have noticed yourselves. There is a whole range of different things, everything from the benefits that we pay out to people, our Post Office card account pensions type of thing, and then increasingly banking. As one part of the portfolio might go down a little bit we see something else increasing and that is why banking is so exciting but Martin, I am sure, can do a better job than me of explaining why that is.

Chair: Maybe not as at this point because we will need to move on.

Q48 **Paul Masterton:** There was an FSB report on bank closures in 2016 that raised concerns about whether the Post Office network had the capacity to deal with additional customers. In my own constituency we have had a number of Post Office branch closures, admittedly none have been operational. They have been to do with individual instances with postmasters but nevertheless that has meant banks going and also there is no Post Office. Even where there is a Post Office, practically speaking when you are talking about Post Office services tucked away in the corner of an RS McColl or a newsagent are you satisfied that you have the capacity to be able to deal with additional transactions that you are anticipating?

Martin Kearsley: We absolutely do. We have been transacting on behalf of banks since 1998. Those services have gradually increased through that time. Three or four years ago we were doing about 70 million transactions a year and in 2017 that has risen to 120 million, so we have seen growth. What we are also balancing, as Tom just alluded to, was the fact that various services have been withdrawn from Post Offices over the year. We have had our own challenges trying to keep footfall going and keep those businesses viable. Things like tax discs, TV licences, various



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different sort of Government services have withdrawn from Post Offices because they have gone online. In essence, we are, to a certain extent, replacing lost footfall with banking transactions.

The very real positive from that is that all of those transactions are well rooted in Post Office systems and processes. We know how to do it. We have been doing it for a number of years at scale, so our ability to cope with an increase is absolutely guaranteed. There is no IT development, which, as the Committee will recognise, quite often goes wrong in major investments. The IT infrastructure is there and is flexed to cope with this extra. Our postmasters welcome the transactions because, as Tom mentioned and I think Ms Cooper did earlier on, money that is drawn into the local community is spent in the local community.

I spent yesterday in Ashburton in Devon, which the Committee will recognise is not Scotland but has a similarity in being a rural market town. All of the banks have closed in Ashburton and our Post Office is the last one in town open evenings and weekends and it has an externally facing ATM. It is the only one for several miles. The postmaster there yesterday was explaining to me that his business used to be around about 10% to 12% banking. That has now risen to about 25% of his business and he is delighted to do it because the local business community has engaged with him to try to keep that local community alive.

Q49 David Duguid: I have been hearing particularly in my constituency concerns from local businesses, and in one case a charity, about the limit of the cash deposit limit in Post Office branches. Is it £2,000?

Martin Kearsley: I am delighted you have asked that question because I would like to correct an inaccuracy in that report. Before we created the banking framework, which is essentially a single standard service that all banks buy into for the Post Office for the sake of simplification at the counter, we had a £1,000 limit for deposits. On analysis, that covered just under 80% of all deposits, personal and business. We raised that in the framework to £2,000 across every single branch and that now caters for over 92% of all deposits. That is the limit across the network for any walk-in transaction.

Q50 David Duguid: Sorry, what was the percentage that covers?

Martin Kearsley: 92%. What we have agreed with the banks, as part of this framework, is that we run a thing called a location exercise for all those businesses that wish to deposit more than £2,000 and that, to the contribution from the Unite representative, helps address some very serious perspectives we put into security, anti-money laundering, bribery and corruption regulations. We operate as a regulated entity even though we are not. What that means is we take those laws and regulations very seriously. With the bank's help we work with those customers who wish to deposit more than £2,000 in any one transaction. That could be a small business, the butcher with £5,000. There are some carpet shops.



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Carpet is a cash-rich business, I don't know why, but typically they will come in with £30,000 or £40,000 a week.

We will arrange with the bank, with whom that carpet company has an account, to run a location exercise and we will home that business on to one of our Post Offices in the local area. That means that the postmaster and that business person can link up and maybe on a Thursday, when the takings come in, we will arrange through Tom and our supply chain, which is the cash vans, the cash comes in on a Thursday morning, the transaction is taken on behalf of the bank and within an hour or two one of our vans will be there to take away the excess cash.

We are looking after the security of the customer, the bank's transaction, the Post Office and the postmaster by making sure that the cash excess is carried back to our cash centres, of which we have two in Scotland.

Q51 David Duguid: You have answered what was going to be the second part of my question, which was: what steps have you taken to address this issue or at least the perception of an issue? The other concern I hear is the increased amount of time it takes over a traditional bank and I know you have said you are not looking to replace the bank but are you doing anything to address the amount of time it takes? It sounds like a fairly drawn out process.

Martin Kearsley: In terms of the cash deposits?

David Duguid: Yes.

Martin Kearsley: Setting up the relationship is as little as two or three days. Once the bank says, "We have a customer who wants to"—

Q52 David Duguid: So once the relationship is built you do not have the time to spend after that?

Martin Kearsley: For how long the money takes to get to the account or how long the transaction takes?

David Duguid: I think the main concern I hear is the amount of time it takes in the branch because these are busy people who have a business to run. I think that is the main concern.

Martin Kearsley: Yes, you are quite right. If a customer came in with, let's say, a bag of loose change in £20s and £10s and all sorts of things thrown in, typically our postmasters will try their best to help that customer and will count the cash. That is a very time consuming and a messy thing to do. However, what we have in our framework and with the bank's agreement is what are called presentation standards, exactly the same way as a bank counter. Denominations have to be bagged. The right denomination of notes are banded or put into plastic bag envelopes, increasingly—

Chair: We are grateful for that and the description of all the things that you do. If we could leave that, David, because we only have five minutes



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left to do a number of things. If that is okay, you could maybe go offline if you want a further discussion about that.

- Q53 **Deidre Brock:** There have been doubts expressed to the Committee over the capacity for Post Office staff or the ability of Post Office staff dealing with confidential financial transactions. Could you tell us what training is given in that area and how confident you are that it is as stringent as the training given to bank employees?

Martin Kearsley: It is possibly worth just taking it back maybe 18 months or so. At the time we did absolutely try to have confidential conversations and talk with customers in our branches about our other financial services. That is Post Office accounts, Post Office mortgages, loans and so forth. As your concerns demonstrate, we received equal concerns and we have now moved to what we might call an online experience. Instead of asking postmasters to also talk about all of these other products, our postmasters are purely serving those cash in and cash out daily transactions. Where we come to talk, or a customer wants to talk about a Post Office loan or travel insurance or some other product, increasingly we will refer them online and then somebody will call them. Our experts are no longer in the branch; our experts will be on the end of the phone to talk to them about Post Office products.

Chair: Sorry, one quick question and one quick response. We have two questions left with Gerard Killen and then our celebrity postie will have to be last, of course, with Mr Gaffney.

- Q54 **Gerard Killen:** Do you have any plans to change the Post Office branch network? In particular, does the last bank in town closing have any impact on whether the Post Office is less likely or more likely to close?

Tom Moran: If I could take that one. The headline answer is our plan for the Post Office network in Scotland, as for the rest of the UK, is to maintain it and grow it where we can. That does not mean that every single branch will never change again because you will have ons and offs, but we are committed to our branch network and a really important part of that commitment is those branches that we call community branches that are often the last shop in the village, never mind the last bank in town. There is just under 500 of those across Scotland and they are an important part of the future of our network. In terms of will it make a difference, I go back to my previous point about you have a portfolio, you have things going up and things going down. All things being equal, if we have more people coming into our Post Offices to do banking services that will make it even more viable for the postmasters that are serving those communities, so all things being equal that will be a good thing. Sorry, that was slightly less quick than you were asking for.

- Q55 **Hugh Gaffney:** The final question from me would be, given the footfall the banks are going to close, if the last bank in town is the Post Office now, will there be extra staff for the extra footfall? There is already queues in the Post Office. Will you put more staff into the Post Offices?



Tom Moran: When we talk about the agency network, I mean the franchise network. It is for the individual person running that branch to manage. Roughly speaking, the more money you are earning from those transactions the more you can reflect it in the staff that you hire. We have exactly the same service standards for queueing time and that type of thing right across our network. We have two teams but I would say the most important one is the team that supports people getting it right. We also do mystery shopping and that type of thing to make sure that where someone does not have it quite right we can go in and help them do it better. The short answer is it is a matter for the postmaster but we would expect them to do it in a sensible way.

Chair: I think we will have to leave it there. That is right on 10.45, which is ideal. Thank you ever so much for your very concise responses to the many questions and if there is anything further that you have noted or you feel that would help the Committee with this inquiry please furnish us with that information and evidence, but thank you just now.

Examination of witnesses

Witnesses: Les Matheson and Jane Howard.

Q56 **Chair:** Thank you very much for coming along at short notice to this inquiry into the RBS closure programme. We are disappointed that we do not have Mr McEwan in front of this Committee as requested. This Committee reserves the right to call Mr McEwan if there is a sense that we are disappointed with any of the responses or we are unsatisfied with the information that we receive, so just to let you know that at the outset. First of all, please say who you are, what you do and anything by way of a short statement.

Les Matheson: My name is Les Matheson. I am the CEO of Personal and Business Banking at RBS across the UK and Ireland. As a short statement, we are very clear about our responsibility to our customers, customers that we have had for many years, and we take that responsibility very seriously. We have 1.7 million customers across Scotland. We have to look carefully at our business and our business model and how things are changing. To give you that perspective, how things are changing is less than 1% of our customers come in regularly to a branch, and regularly means once a week or so. From 2014 until the end of 2017 we have seen across the UK a 40% reduction in transactions through the network and a 42% reduction of transactions in Scotland.

As our business model changes, we have made sure that people have more ways to bank than ever before. You were just hearing from the Post Office. Ten years ago we didn't have a relationship with the Post Office. Today you can go to 1,400 branches. You have online and mobile but you also have our mobile vans and a whole new programme we can talk more about, which is our community bankers. Things are changing and we have to stay relevant so we are changing too.



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Jane Howard: I am Jane Howard and I am the Managing Director for the Personal Bank. I would add to what Les has said that the mobile phone in particular has made a massive difference to the way many customers are choosing to bank. Seven out of 10 of our customers either have our mobile bank or they do their banking online and as people have chosen to use that, as it has more capability, they are choosing to do their banking in a way that is suitable for them. As Les said, we have many more ways to bank and we are absolutely committed to making sure that our customers have lots of options, whether that is local or online.

Q57 **Chair:** Can I start off by saying I do not think I have ever experienced such an overwhelming negative response to a single issue in my 17 years as a Member of Parliament? When you get the good people of Aberfeldy protesting in numbers about a branch closure I think that shows the concern there is right across Scotland. Are you aware of this response from your customers? Are you aware of the impact that this is having on several communities right across Scotland? What are you doing to address and respond to that?

Les Matheson: We are certainly aware. We talk to our customers all the time and we look at customer behaviour all the time. The change that we have been talking about has been happening now for many years, which is the move more and more towards digital transactions. Let me be clear, we intend to have, and we will have, an important branch network across Scotland and we are investing in that network but it is not as large as it was previously and we are taking account of behavioural change.

Jane Howard: We do understand that this is hard for customers, particularly customers who have used the branch for a long time and that has been the only way they have done their banking. We are both personally committed, and all of our colleagues, to helping every individual customer. That is why we go beyond the Access banking protocol and we give six months from the date of the announcement so that we can help all of our customers with the way that is best for them to do their banking.

Q58 **Chair:** Do you understand the disappointment and frustration from somebody from Aberfeldy, for example, where the branch that they have banked with for the last 50 years has been closed? There is no suitable alternative because you are closing Pitlochry, which is just down the road. The nearest branch is in Blairgowrie, 40 miles away. Could you start to understand the sense of disappointment that is felt by people, not just in Aberfeldy but I am pretty certain you will hear the same from other members of this Committee? Is there any sort of sense from you, Mr Matheson, you have badly let your customers down here with this closure programme?

Les Matheson: We understand that customers are concerned about the change and that customers find change difficult. We are committed to helping them through that process and we have lots of ways of doing that. You were hearing from the Post Office there are 1,400 Post Offices.



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Ten years ago you could not access payments in or payments out of the Royal Bank with the Post Office; today you can. We are paying the Post Office for that service and we think that that is helpful for helping to make the Post Office sustainable over the medium to long term.

Q59 Chair: There is widespread political criticism about this. I think you will hear that again in this cross-party committee about the questions that you are going to get. What is also disappointing is your defiant response to this where you are singularly saying that you are refusing to reconsider any of these closures, which is going down particularly badly in a number of rural areas. Is there anything at all that would make you think again about the scale of these closure?

Les Matheson: We have to look carefully at customer behaviour and what customers are doing, but the protocol for branch closures is three months. We have doubled that amount of time to six months. That six months is to take time for our customers, first of all, helping them to adapt to the change, and for our colleagues in the branch network and looking at what other opportunities there might be for them elsewhere in the bank.

Q60 Chair: We get the sense that you are not prepared to have a review and have a look at this again. The Government, as a 70% shareholder, bailed out and saved your bank. If a Government Minister was to turn around and say to you, "We are getting so much political heat about this. We are having real difficulties with the communities that we are serving and we require and demand that you look at this again", would you respond positively to that Government Minister?

Les Matheson: I think we will always talk to MPs and Ministers, but we have to take account of customer behaviour and the changes that are happening in the world with digital. The six-month period that we are talking about is helping.

Q61 Chair: We will come to that in a minute, but I am interested in this because what we are trying to sense here is if this is the last word in the whole thing and, if it is, it is singularly disappointing. What I am saying to you is that the public, through the stewardship of the Government who own a 70% stake in your enterprise, were to come to you and say, "We are really unhappy about what we are hearing about this. We have realised the impact on communities, think again", would you think again?

Les Matheson: We will engage with MPs and have been engaging with MPs and Ministers—

Q62 Chair: That is not the answer to the question, Mr Matheson. If a Government Minister came to you and said, "Think again about this closure programme", would you do that?

Les Matheson: We are a commercial enterprise and we have to act and behave as a commercial enterprise.



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Chair: Okay, thank you. I think we will just leave that there.

Q63 **John Lamont:** What are the financial savings that the bank will make from these closures?

Les Matheson: On an annual basis the savings are about £9.5 million. I would say savings is not what this exercise is about. In 2018 we are planning on, I can say, investing £12 million in our branch network across Scotland. I should also say over the prior three years we have invested £33 million in our branch network. I think you can see by that that we absolutely intend to have a branch network but we have to keep upgrading it. We have to make sure that it has the broadband and fibre optics and the capability of helping customers quickly, so we are absolutely investing in the network.

Q64 **John Lamont:** How much does it cost to run a branch?

Les Matheson: It will depend upon the branch. It will depend upon the number of customers that we have obviously. It will vary greatly depending on the size of the branch.

Jane Howard: I think what is important here is that this is our response to a change in customer behaviour. We want to remain at the forefront of digital so we can support and give a better service to those customers who are choosing to do their banking online, which is seven out of 10, as we described earlier. Also in face-to-face options, whether that is at the branch—and Les has just explained we are investing £10 million—or our mobile van, which gives great flexibility, and we are already working with local councillors since we made the announcements as to where we should park the van, how we can use it to perhaps go to a later living complex in one particular case. It is about us adapting our investment to meet the changing needs of customers and in the best interests of all customers.

Q65 **John Lamont:** In the corporate social responsibility section of your website entitled “sustainable banking”, a subsection called “customer focused”, there is a quote from you, Mr Matheson, which says, “We’re building up a bank that anticipates the needs of customers, that puts them in control of how, when and where they do their banking and gives them the support needed to adapt in an ever changing world.” Should you not have a footnote saying in addition to that, “Provided you live in the central belt of Scotland, provided you have good broadband network and provided you do not live in rural communities”, like those I represent on the Scottish borders?

Les Matheson: Not at all. I think the words that I used are very suitable, which is that we have to adapt. We have to respond to what customers are doing and how they are changing and that includes in rural areas. Both Jane and I have been out to many of the branches that are closing to speak to first of all our colleagues there and then also to our customers. The additional things that we are doing, like the Post Office, increasing the number of mobile vans that we have, the introduction—



and this is a new thing—of community bankers, and exactly how they work, is what we use the six-month period of time to talk to customers and MPs about as to how those might best help customers.

Jane Howard: I think another point you make there, a role we have also introduced in terms of our colleagues is a tech expert in every branch. We do find customers who would like to use online banking or mobile but they need some help and we have particularly skilled people up so that they can help customers who would like to do that as well as all the other ways to bank.

- Q66 **John Lamont:** But if they do not have 4G and 3G or a broadband connection sufficiently good they need more than help. They need that link, the internet connection. I think there is a fundamental failure by the bank to recognise the challenges for those customers, who you are effectively cutting off, who are being told to do their own thing, how that is going to impact on them and those rural communities.

Jane Howard: When we have made this very difficult decision to close a branch we are not saying we expect customers to just use online and mobile. We are very clear about all the ways to bank. We don't want to leave anybody behind. None of us is going to stop the digital revolution that is happening around us. We don't want to leave customers behind for those customers who can use and want to use mobile and online. In addition to that—and I won't go into webchat and all the support you can do if you are online—customers can phone us and do much of their banking over the phone. We have 89 branches with the great wi-fi. If they want to bring their devices in and do their banking on one of those they can do. That is not right for everybody. For some people it is too far to travel but we see others do that. We have the mobile bank on wheels, which will be reaching 440 communities every week, and we have the Post Office. There is a whole range of ways to bank and there is something for everybody.

Les Matheson: If you think of 10 years ago and what was available to people, largely it was the branch. Now there are so many other different ways you can deposit cash or take out cash that the service really is improving.

- Q67 **David Duguid:** Given the phrase “customer behaviour”, you mentioned earlier that seven out of 10 banking is done online or mobile banking, and I totally recognise that. Do you, in turn, recognise that, taking my constituency at Banff and Buchan for example, those seven out of 10 people do not reflect, say, seven people in Peterhead where the branch is remaining open and the other three people at a branch that is being closed. That is seven out of 10 across the piece. The follow-up question is: are these decisions being made on observed customer behaviour or are you assuming a change in customer behaviour that is required to take place for the closures to make sense to these communities?



Les Matheson: It is based on customer behaviour, so it not on assumed or how we think things are going to change. It is based upon how customer behaviour has changed over the last few years and how it is today. The assessment that we do is we will look at the local branch and the customers who are there. We look at what they do today, including what other branches they go to. We look at whether there is a Post Office nearby, whether there is a mobile van, what the coverage is of wi-fi or broadband and whether there are any other banks. We will look at all of those different things as we are doing that assessment.

Q68 **David Duguid:** When you are looking at the mobile coverage, for example, are you looking at the mobile coverage in the town where the branch is being closed and are you taking into account the catchment area and the rural area around that town, which is often not as well covered?

Les Matheson: We are and we are assuming there will be a proportion of customers who will not be able to access wi-fi or broadband and so we are providing services to make sure that if people have not made that switch that they will have access to, particularly, paying in and taking out money. That is what the Post Office will help us with and that is what the mobile van, in particular, will help us with. The new community bankers that we have been introducing can help people to make that change with advice and guidance.

The other thing is that in each of the local branches, as these changes are happening we take a six-month period to identify those customers that we think are going to have the most challenge in making any of the changes and we will take them to the Post Office and show them how to make the transaction.

Jane Howard: Then the other part on the mobile van, since the announcement we have been working with some councillors to understand where is the best place and are there any other locations where we need to stop. We are very keen to work right across the whole of each community to see what is the best place for it.

Q69 **Tommy Sheppard:** Can I go back to this question of money? I was intrigued at your answer that this closure programme is not about savings and the relatively small amount of money that you are going to achieve in savings through the closure programme. I note in the third quarter of last year you posted £871 million worth of profit, so the day-to-day trading of the bank seems to have improved remarkably and you are now profitable. It is the case, isn't it, you could easily afford not to do these closures and take another year to consider the community impact and to consult further? You do not have to make these closures in order to maintain or enhance the profitability of the bank.

Les Matheson: I think you are absolutely right, we do not have to make these closures for that reason but what we do have to do is take account of changes in customer behaviour because the value of keeping the



branches open when there are fewer and fewer people coming in does not make sense. What does make sense is for us to provide alternative ways of doing that. But you are right, the bank is improving its profitability and I think, as a commercial enterprise, it is important that we do that and that we start to make a profit.

Q70 Tommy Sheppard: Yes, but I used to run a business before I came here, not as big as yours but not a one-man band either, and some of the aspects of the business were more profitable than others. If you just cut out all of the things that did not make money in that particular hour of trading then you damaged the overall reputation and image of the brand and of the company. Do you not understand that in many of these towns where you are closing banks the bank is not just a bank, it is a social institution and when it closes down it has a psychological impact on the entire community? For the community and for the brand it is worth sometimes subsidising the branches that are less profitable than others because it enhances the reputation and the look of the entire company. In our argument, that is a commercial factor that ought to be taken into consideration.

Les Matheson: I think it is a very valid point and an important one. You are right that, of course, different parts of our business make different levels of profitability. This is not about saving money. This is about making changes as customer behaviour is changing. It is a very difficult transition to make and a very difficult decision for us to make, but as we think about how customer behaviour is changing we need to respond.

Jane Howard: Yes, and I would add that the role of a community banker, which has been referred to a couple of times, will be in the community and doing exactly what you describe. It is representing the face of the bank, which is more like an old bank manager. We have been skilling up all of our people. The community banker will be there to help individuals in the community who might need help. We are there to help the community run scam groups where we set up a community bank. It is only a new role last year. We have found where they have joined MPs and surgeries has been valuable. They are doing money sense, financial education. It is a really valuable role and we have reached out to councils to say, "Where should we best put this person?" because different councils want the role in different places.

Q71 Tommy Sheppard: My difficulty is that the community banking is there at the minute and you are closing it. The community banking is the local branch. I am making an appeal. I understand the nature of banking is changing. I understand the demands of your customers are changing. I understand in the future you will want more and more people to move online and as time progresses people will become more familiar with that, but at the moment a lot of your customers are not au fait with that. It seems to me that given the small amounts of money involved you could easily afford to keep these branches open while making the changes you talk about. Closing the branches is not necessary to make these changes,



is it?

Les Matheson: It is not great for our colleagues in a branch when they have fewer and fewer people coming into the branch. I think your point is well made and in the six-month period we will talk more to the local community about different things that we might do, whether it happens to be a community banker or other things.

Q72 **Chair:** Have you made any impact assessment about the reputational risk for RBS in these closures and the impact this is having on the customer's perception of how you are put in these communities?

Les Matheson: We have done a number of impact assessments. The main thing that we look at is customer behaviour and what is happening with customer behaviour. We do know that not everybody likes change and that change is a hard thing to do so people will be concerned about that.

Jane Howard: The important thing is making sure that we look after all of our customers' transition through this change and that can be unsettling for some customers. Other customers will adapt very quickly. Since the announcements we have been proactively calling all of our regular customers who use the branch and our colleagues in business have been phoning all the business customers so that we can help them with all the ways to bank. We have consulted since the announcement to understand what we can do differently and better and made some changes as a consequence.

When we described the mobile van, a community that has never had one did not understand what they would be able to do on it. From last weekend we started to take it out to the communities in response to what councils and local groups are telling us. That was very well received so we are going to do much more of that. In addition, we had not planned to have 20 community bankers, and now we have made the decision to more than double it and we are going to have 21 because of the feedback so that every closing branch will have a community banker for local people to get support. That is to get support with all of their banking. Their basic banking, as we have already described, can be done in the Post Office or on the mobile bank.

Q73 **Danielle Rowley:** On the back of Mr Sheppard's question I have two questions. First of all, I think it is important when looking at the savings made from closing branches to understand that figure in the context of the bank. Could you remind us again what that figure is and can you tell us how much the bank has spent on hospitality or on executive bonuses?

Les Matheson: The saving that we are going to be making is £9.5 million. You are right, it is not a significant amount of money. Rather than pieces of it, if you take the whole cost base, for example, of the business that I am responsible for, it is a little over £4 billion. This is not about saving money. This is about making sure that we are adjusting to changes in customer behaviour.



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Q74 Danielle Rowley: On customer behaviour you mentioned, I think in your opening statements, about customer experience and customers being very important. Could you set out for the Committee exactly what consultations you had with customers and with communities prior to the announcement?

Jane Howard: Prior to the announcement we look at customer behaviour and we also look at a number of factors and the individual branch. We take into account the factors in the individual branch; how many customers are using the branch and what they use it for. We look at personal customers, business customers and large corporate customers. We also consider what other banking facilities are available locally. It could be another branch in some cases, a mobile van that we will provide or the Post Office. Then we look at the total of the area. We do that to make sure that we have a good banking proposition.

Before the customer announcement is made, we have a very good relationship with Unite and we consult with Unite. We let Scottish Parliament and the Government know. We let the MPs know the day before the announcement so they can be ready. Once the announcement has happened, which is a commercial decision, we then engage with Help the Aged, Aged UK, Dementia Friends, various local groups, councillors, so that we can really understand how do we help customers with a different way to bank.

Q75 Chair: With due respect, that does not sound like a consultation. That sounds like very much like you telling everybody what is going to happen and making an assessment on the branch. You understand what consultation means. It is where you go around the community, you seek their opinions and you ask what they think about this. That is not consultation, surely.

Les Matheson: We are doing that sort of thing all the time, talking to customers all the time. We have colleagues on the ground in all of your constituencies, whether it is in business banking or personal banking.

Q76 Chair: We are talking about this bank closure programme. Would it be fair to say there was no real consultation involved before you made the closure announcement?

Les Matheson: What would be fair to say is that we have made a commercial decision based on customer behaviour.

Q77 Paul Masterton: I am fairly fortunate, I do not have any RBS bank closures in East Renfrewshire in this round but that is because you closed three in your past two rounds. Do you think it is acceptable that for all of us we will have disabled constituents sitting outside in car parks with your mobile vans? Do you think that is an appropriate way to treat your customers?

Jane Howard: We take the Equal Opportunities 2010 Act very seriously and will always make reasonable adjustments for customers. The mobile



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van has been serving customers in Scotland for about 70 years. We do have, to answer your specific question, 31 customers who use a wheelchair who also use the mobile van and in those cases we serve them. Some of them come in a car and we come down off the van to serve them. We have spoken to those customers about how they wanted to be served and whether they are happy with the service and they are. When we think about vulnerable customers, it is a lot more than disabled in the sense of using a wheelchair or indeed elderly. As we are considering other ways to bank and what we can do we have worked with the Royal National Institute of the Blind, so we have created a mobile app with people who have sight issues and they can now have banking services in the way anybody else can.

Les Matheson: We have done two specific assessments on people in wheelchairs and how to best serve them. We have found ways that they prefer us to help them.

Q78 **Paul Masterton:** I take the seven out of 10 figure in good faith but that also means that you have three out of 10 who are continuing to use your branch and do you not accept that there is a reason that those people are continuing to use a branch? It is not because they cannot be bothered to do anything else. It is because online banking does not work for them. Perhaps it is like me with my children's accounts, which I cannot do online. Perhaps I want to teach my children about banking; I want to take them into the branch to have experience of that environment. They could be vulnerable. They could be carers. There could be people who are only getting out of the house for a very short period of time. While I accept that footfall may be down, do you not accept that there is a genuine need for the people who are using the branch still that is now going to be significantly compromised?

Jane Howard: Yes. I think we said that seven out of 10 customers have a mobile app or do their banking online and it is less than 1% who use the branch regularly. The things you describe will be role of the community banker and we started that role last year. It has been very well received. Inviting him to do discussions about how you manage your finances, either individually or with groups of people. Everything is changing and we have considered carefully how best we can serve all of our customers.

Les Matheson: We absolutely accept that some people are going to prefer branches. We will have 89 branches at the end of this year. We are investing in those branches and we will have lots of customers coming to them. We absolutely accept that branches are still important; it is just not as many.

Q79 **Paul Masterton:** Why should I bother continuing to bank with you if Bank of Scotland or Santander or somebody else still has their branch open?



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Les Matheson: There are lots of other ways you can bank. You can bank on the telephone, in our mobile van, using your mobile if you have it, as perhaps you do, and you can bank online.

Q80 **Paul Masterton:** But just not in the high street. I cannot go into a shop and then nip in to pay in my cheques.

Jane Howard: We will have 89 branches and in addition to that we will have the mobile van, serving 440 communities, in fact going to some communities that never had a branch. Of course, you can use the Post Office, as you heard earlier about the services there, and there is a Post Office in every location that we are closing off. In fact, with one exception, they have the same hours as one of our branches or longer hours, and the one exception closes just half an hour earlier.

Q81 **Paul Masterton:** If I am having to use a Post Office in order to bank with RBS, I may as well not bank with RBS at all.

Les Matheson: There are lots of other things that people want to do. It is not just paying in and taking out money.

Q82 **Paul Masterton:** The point I am trying to make, and it comes back to the issue about reputational, I am not convinced that you have considered at all the impact in terms of the brand and the reaction to what is an institutional cornerstone of Scottish business and the huge reputational damage that this is doing.

Jane Howard: We said earlier that we looked at the factors when we made the decision and if you look at what customers are doing in the branches, the 62, it is mainly paying in, drawing out cash or doing cash exchange and the investing—

Q83 **Paul Masterton:** But the people who were on the streets in Aberfeldy will not only be people who are that 1%. There will be people who are customers of the bank generally who are looking at the way you are treating your customers and saying, "I don't want to bank online or mobile with you because I think the way you are treating your customers is appalling".

Les Matheson: But as we say, there are many more ways that you can bank with us than you could 10 years ago. Whether it is through a mobile van, through the Post Office, online or on mobile, we are investing a lot in how we can provide a service. The service is different and the service is different because customer behaviour is changing and we are responding to that.

Q84 **Gerard Killen:** In 2011 RBS, NatWest ran an advert claiming they would never close the last bank branch in town. I have been contacted by so many people you consider to be vulnerable groups—disabled, children of elderly people—who are very concerned that there is no bank left in town, so much so that I have decided to no longer be a customer of RBS. What impact have you made on these groups of your broken promise not



to close the last bank in town?

Les Matheson: We did make that promise and we did not anticipate the huge change that was going to happen in customer behaviour. It was before mobile banking took off, which we have all seen. We need to be careful about those sorts of promises because we do not want to have branches in places where there are not any customers. What we are doing to help those sorts of customers is what Jane has been describing. We have mobile vans, access to the Post Office, 1,400 branches, far more places where people can go in and take out cash, which is often what they want to do.

Jane Howard: I think I would add to that. If you look at some of the investment that we are making into mobile—for young children today it is second nature to them to do things online. We are investing in developments that help them to do money sense learning and to do banking in a very different way. This is about how do we invest to best serve all the customers.

Q85 **Christine Jardine:** Can I go back to something that was mentioned earlier about consultation? You said that you had informed the Government here at Westminster, the Scottish Government and the various MPs? Did you take into account in doing this the fact that you are a publicly owned bank? As was mentioned earlier, you were bailed out by the taxpayer. Did you take into account that all of these people who are now having branches closed are taxpayers who helped to bail out the bank? We are all in this room, hopefully, taxpayers who helped to bail out the bank. Did you take that into account and that, as has already been mentioned, the reputational damage and the feeling of disappointment and let down by the bank might have serious implications for your future operations?

Les Matheson: We understand the support that the bank has had and clearly we appreciate that but we have to take account of changes that are happening. The number of ways people bank today are far greater than they might have been 10 years ago.

Q86 **Danielle Rowley:** I want to come back to the question of why should people continue to bank with you. I feel that to say there are many other ways to bank with you is missing the point massively. It is not about having other options. Most banks now offer multiple ways to bank. It is the principle. Many of my constituents have written to you and were very disappointed with the response they got. They want to know, as taxpayers who have bailed out the bank, where is the gratitude there as a thank you. On that principle, if it is not about money, which you have repeatedly said, as a thank you to communities keep the branch open. We have had a hugely negative response to these closures. Is there no leeway there?

Les Matheson: I think that we have to look at changes that are happening. We have many more ways you can bank. There is the Post



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Office and 1,400 branches that people can access. They can access online and on mobile that they could not previously. I have to make sure I keep the bank relevant to changes that are happening. I need to make sure, and I think that the people that you are talking about would want to make sure, that I am investing appropriately in the future for RBS and to make sure that it is a viable—

Jane Howard: I will tell you why I bank with us. We have the most professional workforce on the high street in the branches that we will be keeping. We have people who have their professional banking certificate. We have trained people, Friends Against Scams. We were the first to work with the trade industry on that. We have trained our people on other things that will help customers in the community. On top of that, we have relationship managers who care deeply about their customers and will go out and see them, whether that is business or personal. We have more ways to bank, including our community banker, than many other new entrants to the market who are only going after offering people a mobile bank and we are investing in both digital and in physical. It is fewer branches. It is upsetting when a branch closes and it is sad for the community but we are doing our best to invest for the benefit of all our customers, whether they are using digital or the many face-to-face options. That is why I bank with us.

Q87 **Tommy Sheppard:** Going back to Ms Jardine's point, because I do not think it was properly answered, you have received £45 billion from the taxpayer. Do you not feel any obligation, as a result of that, to act in the public interest or to listen to public representatives? We are pretty unanimous here and I would guess we speak for every MP, MSP and elected person in Scotland who is trying to represent their communities. We want you to press the pause button on this, think again and engage in a further round of consultation while you make the investment you talk about, knowing that these closures are not necessary in order to make that investment and to go forward. Do you not feel any obligation to listen to the public?

Les Matheson: We certainly do. In particular we feel an obligation to listen to our customers and that is part of the reason why we have extended the amount of time that we have before we make a closure. We will be open to talking to you and to your constituents and to our customers in each of the areas and we will think carefully about the changes that we are making and ways we can help those customers who find change difficult to go through that process.

Q88 **Chair:** That you will reconsider some of these closures; is that right? Is that what you are saying? You will listen to your customers, like their representative. That we are saying to you quite decisively, conclusively, this is not working for our communities and you will reconsider?

Les Matheson: What we are saying is that we will be talking to our communities about the changes that we are planning on making.



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Q89 Hugh Gaffney: You kept on referring back to 10 years has changed, 10 years has changed. Well, 100 years ago these banks opened through our forefathers working hard and you giving them the opportunity to expose—you took a lot of money off people and chased and all the rest of it. There is a 100-year history was, banks were about and that is what local communities are all about. The banks played a big part in that, being available and all the rest of it. Banks are still there. You are closing them down. Will you give the bank back to the community, the building, and leave the building where it is and also give it back for customers? All of this is talking about keeping the customers you have but you do not care how they do their banking. You are not giving loyalty back and you are not giving people respect. When you leave the community, will you give us back the customers and will you leave the building that was paid for by the community through their forefathers?

Les Matheson: As you will know, over the last few years there have been a number of branch closures across the industry and we have obviously closed a number of branches. By and large, most of our customers still want to stay with us. They recognise the additional ways that they can bank with us and they appreciate them. For those people who are not used to them, once they start to get used to them, many people like them. Most of the customers stay with us and want to stay with us and they appreciate the additional services that they can take advantage of.

Jane Howard: Yes. That is right.

Q90 Hugh Gaffney: We have got a lot of credit unions now building up in communities. Where are credit union is wanting to take over the building of the bank, will you leave the customers and will you help that credit union set up in their local community?

Les Matheson: By and large customers who are with RBS want to stay with RBS and people largely appreciate all of the additional ways that they can bank. We will keep the customers and we will happy to serve those who want to stay with us.

Jane Howard: We are committed to helping each and every customer. We have proactively reached out to all the customers who come in regularly, whether that is personal or business, to help them with new ways to bank. I was in a branch just recently and a customer came in and I was helping her. It was not obvious to me at first but she had a very bad back and she was coming in to transfer money every week to somebody. When I sat down and explained to her that you could do that through online banking she said, "You have no idea what a difference it makes to me". I did not know that she was in pain coming in. It is our fault we had not explained it to her earlier and I apologised for that, but sometimes people do want to take advantage of new ways to bank and the role of our tech expert and the community banker is going to give us the time to help those who can and—the gentleman has left now. But we do absolutely understand that that is not for everybody.



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Q91 Hugh Gaffney: One more thing I was wanting to ask him was about the community banking. I cannot remember the question I was trying to ask here, but basically I just feel—that was the question I was going to ask. You say you have written to MPs, you have written to councillors, you are talking to your local community. I am a local councillor and I am also a local MP. I was elected in June. There is a bog standard letter that has been sent out to I think all MPs and all communities. If you understand the situation, why do we have this? We just feel as if you are running away from the community. What communication did you do with MPs and councillors and any other local parties?

Les Matheson: First of all, we do tell them before we make the announcement, but the second thing is all of the letters that we have written have data in there that is specific to each branch. Then what we do is our colleagues who are in the local area will sit down and talk to the councillors or the local MPs, as I have done, about the changes that we are making and get their feedback. As an example, they may say, "We like the idea of the mobile van, but can you please make sure that it stops here?" or, "Get it to stop here" or, "Can we get it to come at a certain time?" or, "Can you help this particular group of people?" In I think all cases we will do that.

Jane Howard: If anybody feels that they want to have more conversations with us, we want to make this work and we want to work with local groups, so please let us know if anybody wants to have the conversations. We would be delighted to work locally with people.

Q92 Christine Jardine: I, like Mr Masterton, do not have any branch closures this time because they were in the last round of branches. However, I do have the headquarters in my constituency in Edinburgh West. One of the things that is concerning me about this, as well as the impact on the local communities, is the impact on your staff and their future. You have said that while you plan no more closures at the moment you have to review it every year. You have also ring fenced branches to become Williams & Glyn. Can you tell us when the next review will be? Are we looking at the prospect of a continuing rolling programme of closures? Is there potential for more closures, more job losses, in the bank?

Les Matheson: I can tell you that the programme that we are describing here in Scotland we have no plans beyond that. Of course, if the circumstance changed completely in two years' time, if things change dramatically, we have to respond to those changes, but I can categorically say right now we have no plans on any further changes. We may open one or two new branches, we may refurbish one or two, we may close one or two, but we have no plans beyond what we are describing.

Q93 Christine Jardine: What about the Williams & Glyn ring-fenced branches?



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Les Matheson: In Scotland those are NatWest branches. As far as those branches are concerned, we have no plans to change in Scotland.

Q94 **Christine Jardine:** At the moment?

Les Matheson: Correct.

Q95 **Christine Jardine:** When will the next review be?

Jane Howard: As we have said, we are doing this in response to a change in customer behaviour. None of us know what the next big thing is going to be. I could not have imagined that we would have mobile banking like we have today 10 years ago. I just could not have seen it. But as things stand, as we sit here today, we believe we have the right network shape for Scotland.

I know that it has felt like a large number of branch closures, but one of the reasons why we try to look at all of the areas, each branch by branch and then the area, was because the feedback that came from the review of the banking protocol was that—and I think we heard it earlier—customers do not like closure by closure by closure because they go to another branch. What we are trying to give is certainty. Now we can focus on helping each of our customers with a new way to bank with that certainty, and that certainty is for both customers and colleagues.

Q96 **Christine Jardine:** But can you appreciate that for each community that has been affected, they only care about that branch? They only care about the one that affects them. That is particularly difficult in areas that are losing their branches because they are rural areas. They perhaps contribute all three of the three out of 10 customers who do not use mobile banking because they do not have a reliable broadband service or a reliable mobile service in that area. Can you see where that concern comes from as well?

Jane Howard: Absolutely.

Christine Jardine: Your customers are perhaps not concerned about how many branches there are but about their specific branch and that their service is going to be affected.

Les Matheson: We absolutely do and we have been to some of the branches in all parts of rural Scotland. We talk to individuals there. We talk to our colleagues, first of all, and we look at what customers are doing, and then we look at how we can help.

If you take Barra, for example, I did go to Barra myself. We have a small branch on Barra that we are closing, but there is a Post Office that is two doors down from that branch. We are going to put an ATM in the Co-op, which is two streets along from that, but what we are also going to do is we are going to have a mobile van. It takes about 40 minutes to drive around Barra and we will be able to stop in four or five places. For those customers who find it difficult to get to the branch, that may be a better



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service for them. Once people get used to that, we think that they will like the alternative arrangements that we have.

- Q97 **Ross Thomson:** Following on from what has been asked about relations with the Government, you said in your answer to the Chair that you engaged with MPs and with Ministers. Given the fact that the UK Government are the majority shareholder, can you tell us what discussions you have had with the UK Government, when you had those discussions and with whom you had those discussions?

Les Matheson: What we can tell you is that we talked to the Treasury before these closures were announced. We talked to the Scottish Office. We informed people about the changes that we were planning on making, as we informed MPs before the announcement as well.

- Q98 **Ross Thomson:** Was there any discussion with Ministers or was it simply informing civil servants?

Les Matheson: In some cases it was Ministers or some of the people in Government. We were informing people about the changes.

- Q99 **Ross Thomson:** When did you inform them?

Les Matheson: A couple of weeks beforehand.

Jane Howard: A couple of weeks before. We could let you know the exact dates if you are interested.

- Q100 **Ross Thomson:** In relation to the Scottish Government was the same courtesy afforded to them?

Les Matheson: Yes, it was.

Jane Howard: Yes.

- Q101 **Ross Thomson:** Who did you talk to in the Scottish Government?

Jane Howard: I didn't. My colleague Simon Watson, who is the Managing Director for Scotland, spoke. I will come back to you and let you know that.

Les Matheson: We can give you the names if you would like.

Jane Howard: We also let the regulator know as well, by the way.

- Q102 **Ross Thomson:** I know in your answer previously you said that you had informed MPs the day before so they could be in a position to provide advice. You have seen today with these meetings it can be fairly chaotic in this place. Is one day's notice to prepare Members to advise their constituents in such matters sufficient?

Les Matheson: Particularly in local areas, we are talking to MPs all the time and MPs are very familiar with this change that is happening across the UK and across Scotland. I think MPs are generally very well briefed on the changes that are happening in banking networks.



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Q103 **Ross Thomson:** You mentioned in a previous answer I think to Mr Gaffney about the engagement you have with councillors and MPs. You said that you were looking for their feedback, but given that we have heard an intransigence to pause, to consult again or think again, is any such feedback simply meaningless if you are not going to listen?

Les Matheson: No, it is not. We are listening. We are making changes. You heard from people earlier that we originally had I think 10 community bankers. One of the things that we have done as we have talked to people is people have really liked that concept, so rather than 10 we have increased that to 21. Each of the community bankers will look after roughly—not in every case—say three of those branches if that area makes sense so that we have a community banker that will serve all of the areas where a branch is being closed.

Q104 **Ross Thomson:** Lastly, with your indulgence, Chair, Ms Howard, you had mentioned in a previous answer the reasons why people should continue to bank with RBS. We heard about customer behaviour, customer focus, customer service. Coming from the bank myself previously, having worked there, I know there is that focus on staff to provide great customer service and how they get measured and all of that, and particularly when you say to customers, "What would you rate me out of 10? When you get the call make sure you say excellent". Looking at the engagement you have had with customers, rating yourself out of 10, 10 being excellent, what would you give yourself?

Jane Howard: For me the important thing with our customers is we know this is unsettling for some of the customers and we are absolutely committed to helping each and every one of them. If we do that well, then they will remain with us and they will feel that it is a great service. That is what we are committed to, helping each and every individual customer.

Q105 **Chair:** Can I explore this issue about your relationship with Government and the role that the Government have, obviously, as the steward of our ownership of RBS? Because it is practically nationalised. I think we can accept that a 70% public share is from members of the public. You said that you informed the Government. Was there any conversation with them as the stewards of our interest in RBS? Did they put forward any concerns about the scale of these closures and the impacts this might have?

Les Matheson: In any of the discussions that we had when we were informing people about the change, people were naturally concerned and talked about—

Q106 **Chair:** I am not bothered about people. I am interested exclusively in Government. When you discussed these proposals with the Government, did they turn around and say to you, "Hold on a minute, as the steward of the public interest in all this, we have concerns about this. We are concerned about the impact this will have on communities"? Were there



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any concerns put to you at all by Government Ministers about this?

Les Matheson: When we talked to people in Government, they talked about the same sorts of concerns that you have talked about.

Q107 **Chair:** What did you do in response to these concerns?

Les Matheson: We looked and thought, just as we have with your points. We thought very carefully about it before we made the announcements.

Q108 **Chair:** And went ahead anyway. We asked the Government to come along to this. We asked Ministers to come to this to answer questions from members of this Committee. They refused to do this on the basis that this is an operational decision from the Royal Bank of Scotland. How, therefore, then, can we get the public interest in order to engage with you about these closures? I know we have committees like this, I know we have MPs, but who is standing up for the public interest, given that we own the majority share in RBS, to say, "Hold on a minute with this. It is not working. It is not working for these communities. There is huge concern, even protests, about this"? How is that done?

Les Matheson: In our experience, the best way is to talk to our colleagues in the local area, in the local branches, as you may have done. I think that when you do that, that is the best way of engaging with us and talking to us about particular circumstances and particular issues and concerns that people have.

Q109 **Paul Masterton:** I want to come back to your response to Christine Jardine about people not liking this creep-creep of closures because, of course, that is what has happened in the past. In 2016 you closed Netherlee and you closed Barrhead, punted everyone up to the Mearns and the following year closed the Mearns. Are we just completely clear that this is your last round of closures for the foreseeable future?

Les Matheson: As I said, we have no other plans. I can absolutely categorically say that. At some point in time, if circumstance changed in particular areas or technology changes in a way that we cannot imagine right now, things may change, but I can absolutely say we have no plans right now.

Jane Howard: I would come back to the fact that seven out of 10 of our customers have our mobile app or do their banking online. Less than 1% of our customers come into the branches regularly. We have seen transactions go down by 40%. As we sit here today, with all of the knowledge and what we can see, as Les says, we have no further plans. If seven out of 10 becomes 10 out of 10 and we see transactions grow again, then we would need to respond to that change in customer behaviour.

Les Matheson: I would say, as I said earlier, we are investing significantly in the branches. I think you may have seen that, for



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example, in certain areas, certainly in Edinburgh but also in rural areas outside Edinburgh and so forth. We are investing substantial amounts of money in the network that we have. We would not be doing that if we intended to then close them.

Jane Howard: We believe that that is the winning combination.

Q110 **Christine Jardine:** For me, the whole thing is summed up in one situation. I hear what you are saying about investing and improving certain branches. I hear what you are saying about fewer people using branches, using mobile and online technology. I hear what you are saying about the community bankers going out. One situation keeps coming back to me, which I can deal with because I live in a city. That is late at night your child comes in and says to you, "Mum, Dad, I completely forgot. I need money for school tomorrow for—" or you realise that you need money for something the next morning. I can jump in the car and go to a Cashline machine, something that RBS was very proud at the time to develop. I can do that, but in communities all across Scotland now they will not have that facility because the only ATM will be in a Post Office that is closed and will not open in time for them the next morning. How are you reassuring your customers that you are not giving them a problem in rural areas, which if you just happen to live in a city you are providing for? Are you not discriminating against them?

Jane Howard: When we close a branch, we do not remove the ATM if there is not another free-to-use one within a kilometre.

Q111 **Christine Jardine:** So they will be there?

Jane Howard: Yes. When we have looked at these 62—you do raise as well a very valid point about whether it is available 24/7, to use that phrase—there is one location where the ATM is not available 24/7 but it is available I think until 9.30 at night. It is either 9.00 pm or 9.30 pm. We have that one situation. In all other cases, they are free to use. We have 736 ATMs in Scotland and, as well as that, there are I think 3,770 LINK free-to-use machines.

Q112 **Christine Jardine:** But you see the point I am making. You are gradually restricting the facility, gradually restricting the access to services and cash to people in wide swathes of Scotland.

Jane Howard: I think we are increasing it in the last few years. If you take these local communities where you could have only gone into a branch and got your cash, you can now get cash on your card when you go into some of the stores. You can get cash from all the ATMs that are available, and there are some available in all of the communities, as I just said. Of course, you have the Post Office as well as the mobile bank. I think we are increasing—

Chair: Okay, we are starting to cover very familiar territory here. Ged is desperate to come in.



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Q113 Ged Killen: The cash machine that is in Cambuslang main street is in a branch that has been closed in the last tranche of closures. The response I had from RBS is that they would not commit to keeping that cash machine there. Will you give that commitment now that cash machines like that, where there is no branch and it is the last cash machine or one of two cash machines, you will not remove it?

Jane Howard: Where we have a cash machine in a branch and the branch is closing, we will not remove the cash machine where there is not another free-to-use ATM within a kilometre.

Q114 Chair: Is that a firm commitment?

Jane Howard: As we sit here today. If cash disappears in 10 years' time, we will not need an ATM.

Q115 Deidre Brock: You have heard all the evidence this morning. You have heard from the MPs and their experiences in their constituencies and from their constituents. We have been given a lot of further evidence from a number of individuals and organisations telling us that these closures will have a dramatic impact on their communities, particularly, of course, in Scotland's rural communities. I realise banking and morality are not words that are linked too often in the same sentence. However, doesn't RBS have a moral duty to take into account the social impact of these closures; for example, the impact of closures on communities' wider economic health? What happens when a bank closes and that footfall is lost to a village or town? Can you tell me how you respond to that?

Les Matheson: I think we need to make sure that we have a broad array of services available. We need to make sure that we remain relevant for customers, and I need to make sure that I am investing in the right places that customers are showing us they want to invest. If you talk about support—

Q116 Deidre Brock: But is it the right thing to do? The loss of the bank to a smaller community will have, it is very clear from the evidence we have heard today, a dramatic impact on the wider economic health of that community. Don't you have a moral duty to look into that, to take that into account?

Les Matheson: We do take those sorts of things into account. We are looking very carefully—

Deidre Brock: It does not sound like it, Mr Matheson.

Les Matheson: We are looking very carefully, for example, at lending. One of the questions is: are we able to lend to small businesses in rural communities? Are we able to continue to lend in the way that we were previously? Are people able to access, for example, for small businesses—

Q117 Deidre Brock: Why was this not being worked out before these decisions were taken by your board?



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Les Matheson: These things have been worked out previously. I can tell you in 2017, for example, we have lent 7% more in small business lending in Scotland than in the previous year.

Jane Howard: Again, small businesses are choosing to do their banking in a different way. We have just developed something called FreeAgent, which is at the demand of small businesses. It helps them to do their invoicing immediately on a computerised system. Again, we do need to respond to the way customers are changing and invest in those sorts of things as well as face to face.

Q118 **David Duguid:** I want to go back to this phrase of “customer behaviour”. I have had at least two constituents talk to me about when they hear this phrase “customer behaviour”. They feel like they are somehow being blamed or, at the very least, your seven out of 10 customers’ behaviour is affecting the availability of those banking services to the other three out of 10, and that is not how we want to bank. I just wanted to ask whether you appreciate that when customers, who are people—even businesses are run by people—hear, “Customer behaviour, customer behaviour” I wonder if it would be more helpful if you talked about the observations you are doing on transaction patterns. That is maybe not the right words to use either, but something that takes the feeling of it being the customer’s fault out of the language.

Les Matheson: First, as Jane was saying earlier, we have thousands of colleagues across Scotland, so we get feedback every day. We absolutely appreciate that these sorts of changes are difficult and we appreciate that there are some people, say the three out of 10 that you were talking about, that either do not want to or are not able to access the bank. That is why we are finding other ways to help them to be able to bank, whether it is through the Post Office, whether it is online, whether it is through our mobile vans, which by the way we have had in Scotland for more than 70 years. We have a lot of experience in how to use mobile vans in a way that customers like. I know for those people who have not used them it does take a bit of adjustment, but once they start to use them they often really like the flexibility that they enable.

Jane Howard: I am sorry if we have made anybody feel like that. When we describe customer behaviour and seven out of 10 customers having a mobile and using online as well, that is to do their everyday banking. The reason why we are investing in branches is because many of those also value a branch but that is more for advice and more complex conversations, such as a mortgage. That is age agnostic. We find young people still want a branch and older people want a branch, which is why we are investing in both the branch and digital. We will reflect on that because in no way would we have wanted to make people feel that way.

Q119 **David Duguid:** Thanks for that. My main question was about the criteria you used and how you made the decisions on which RBS branches you were going to close. Indeed, will that be published at some point? I want to take you back to some of the things you said in your introduction, in



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fact, when you said less than 1% regularly use branches. I think you said that is like once a week or so. I thought that seemed a bit vague. There must be a criteria. Is it once a week?

Les Matheson: It is once a week.

Q120 **David Duguid:** Okay. The other thing that is not quite lining up in my mind is, again, the seven out of 10 online and mobile banking, but you also said there was a 42% reduction in transactions in Scotland, which presumably means there is still 58% of transactions being carried out in branches. That 58% does not tie in with the three out of 10, or maybe we are looking at different things.

Les Matheson: Yes, I think we are. What we are saying is of the transactions that are going through the branch network, from 2014 to 2017 those numbers have reduced by 42%. There is obviously a huge bunch of other transactions that are happening online or on mobile, so I am not including them in that. The number of transactions that are happening has gone up a lot because what people are finding is that mobile and online are very easy, so they are using that more and more. They are simple things like checking their balances every day that you can easily do if you have and if you want to use mobile or online.

Q121 **David Duguid:** My other question is: will the criteria that you used to make the decisions on which branches to close be published at some point?

Les Matheson: We can talk about it now. We have given a certain amount of specific data to MPs and to local councillors. What we find is whichever bit of data we use the evidence is inexorable. We are seeing people moving to banking in different ways, particularly transactional banking. Maybe for insurance products or opening a current account or those sorts of things it might be that people want to go to a branch or to a mobile van or whatever, so we absolutely still think that we need to have branches for that sort of thing.

Jane Howard: Les is right. The data of less than 1% of customers regularly using a branch, seven out of 10 customers having mobile or using online, 40% reduction across the UK, 42% in Scotland, if you look at our internal data points but then if you look at external data, I do not know if you saw the UBS report the week before last but it said that for the first time ever they have more people preferring to do their banking and doing their banking online than going into a branch.

Les Matheson: In the whole market the absolute number of transactions—

Chair: Can I stop you for one minute? I want to appeal to colleagues. We have PMQs starting at 12.00 pm. Are colleagues quite happy to stay and continue this session? There is nobody rushing down to get to PMQs? Nobody has a question? I am pretty certain that Mr Matheson and Ms Howard will help us out for a few more minutes. Thank you. Sorry, David,



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were you concluding your questions?

David Duguid: I will just take one at the end because I have a constituent who is going to be watching it and I just need to pick her up when the PMQs are done, so it is fine.

Q122 **John Lamont:** Apologies if this has been covered and I rely on the Chair to stop me, but I was asking a question in the Chamber. I want to explore the relationship with the bank and the Post Office, which you have alluded to in terms of the alternative service that is going to be provided in many communities. What is the financial relationship between the Royal Bank of Scotland and the Post Office?

Les Matheson: We have a contract with the Post Office for them to carry out certain services for us, typically paying money in, paying cheques in, taking cash out. For each of those sorts of transactions we pay them a certain amount.

Q123 **John Lamont:** Will you be paying extra to those Post Office operators in the communities where you are expecting the Post Office network to pick up the services that the bank previously had been providing prior to closure?

Les Matheson: As the people from the Post Office said, they do see when we close a branch that the number of particularly simple transactions do increase in the local Post Office. I should say we have thought about different ways of helping customers. One of the things that we have considered is should all of the banks get together and just have one branch in a local community. Every time we have done that, we have always come to the conclusion all of them already have a Post Office; isn't it better for all of the banks to support the Post Office through paying for our transactions and that makes the Post Office likely to be more viable. That has always been our thought process.

Q124 **John Lamont:** There is nothing additional? The contract that you have with the Post Office you say is not going to be varied in light of these closures? It is the existing contractual relationship you have that will be continuing?

Les Matheson: I think the answer is yes. We will regularly update our contractual arrangement with the Post Office. Through the finance body and with our competitors we do think about how we can promote and help the Post Office as an industry.

Q125 **John Lamont:** I am wondering how this has been thought through because Post Office operators have approached me expressing concerns that based on the contract they have with the Post Office they will not have sufficient resources generated from their contract to justify taking on potentially the extra members of staff to deal with the extra banking transactions. They are also concerned about the increased risk that they will face in terms of forgeries coming through the system. Currently, your bank staff do not get penalised in any way if they accept a forgery, is that right?



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Jane Howard: Yes.

Les Matheson: That is correct.

Q126 **John Lamont:** Whereas Post Office operators get their monthly contributions docked. Now banking customers, business customers, who currently go into the bank and deposit their money, their transaction is not being checked for forgeries by your staff, but potentially going into the Post Office there is going to be an onus on the Post Office operator to check there are no forgeries because there is a financial incentive for them to make sure there are no forgeries as part of that transaction. You understand there is now a greater risk being put on these Post Office operators as a result of this increased business coming from the bank?

Les Matheson: We understand the point, but we think in terms of the additional ways that we can think of that are going to help customers, particularly given the number of Post Offices that there are in Scotland, it seems to be the best option for us.

Q127 **John Lamont:** The best way would be, first, not to close the banks and, secondly, to give extra financial incentives to the Post Office operators who are now taking on this additional risk, I would suggest.

Les Matheson: We do talk to the Post Office.

Jane Howard: On a regular basis, and our contract is with the Post Office and you heard from them earlier.

Q128 **John Lamont:** Sorry, could I just interrupt? Are you speaking to the Post Office or the Post Office operators?

Jane Howard: We speak to the Post Office, not the Post Office operators.

Q129 **John Lamont:** Could I suggest that there is a differential in terms of the opinion of the Post Office operators and the management within the Post Office? It is very important that the bank understands the concerns of Post Office operators in terms of the extra responsibilities and the strain it is going to put on their financial models.

Jane Howard: Okay. We will take that away.

Les Matheson: It is a good point. We do understand that and we do talk to local Post Offices. Both Jane and I are out regularly in our branches and we have been in the Post Offices as well talking to people in Post Offices. I know you went to—

Jane Howard: I did. I have been to quite a few. That point has not come up in any of the conversations that I have had, but we do meet with the Post Office—not the Post Offices—on a regular basis. I have made a note and I will take that up with them.

Q130 **Chair:** You obviously heard the evidence that was given by the Post



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Office. Mr Kearsley gave very good evidence, which we are very grateful for. He described the Post Office in terms of its banking arrangements as an ATM with a smile. I do not know what you feel about that description but it is certainly a million miles away from the experience that people normally would expect to secure at one of your branches in Pitlochry or Aberfeldy or wherever. Isn't the suggestion that somehow the Post Office is some sort of adequate substitute for what you are doing in branches totally disingenuous? If you were to speak to anybody, as I have done and as I am sure most of my colleagues have, and suggest, "Don't worry, the Post Office is here to take up some of the slack" you are met with looks of bemusement. Of course, what we are finding in so many constituencies, particularly in mine, is Post Offices have been closed. This is the real issue in future that we face. I do not know what you feel about an ATM with a smile replacing your branch service, but certainly I feel very disappointed if that is going to be—

Les Matheson: You are absolutely right, the Post Office is not and we do not intend that it will cover all of the services that we do as a bank. If you go particularly to our rural branches, as I am sure you do, what you will find is that the majority of things that are happening in those branches are transactional. The Post Office can help and we can see that. We can see what is happening in every single branch and we can look at those transactions. We know that lots of those sorts of transactions will happen and will be dealt with effectively by a Post Office.

You are right, there is a certain amount of bemusement, but often that is because people just did not realise that they could go to the Post Office. I think the Post Office said that themselves. One of the things that we as an industry have to do, and we will work with the Post Office, is how we get across and make sure that we are communicating. For those customers particularly in your rural areas who are concerned, who do not know and will find that sort of change difficult, we will go with them. We will show them what to do. We will talk to them. Many of them anyway know the Post Office and know people and they will not need that, but for those people who do find it difficult we will individually help them.

Q131 **Chair:** Do you realise that just that type of statement there, that people have to realise, people have to accept and don't you know this facility exists, is quite painful for a lot of my constituents to listen to? They had a service that they treasured, they valued, that they have used for not just years but decades, and all of a sudden you have come along and said, "Hold on a minute, the quality of service that you have secured and enjoy and appreciate is now going to go and what we are now expecting you to do is to go to the Post Office or go elsewhere. Here is a van that will come through for a few hours per week that you can access". Do you not understand that for people who have used you, who rely on you and have trusted you all these years, this seems like such a slap in the face?

Les Matheson: We absolutely do understand that and we are working with and talking to those customers every day. We also have to adapt to



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change and we need to make sure, I need to make sure, that the bank continues to stay relevant.

Chair: We have been through that.

Q132 **Christine Jardine:** We have touched on mobile coverage. Could you share with us, please, did you do an assessment and an analysis of the access to mobile coverage, the quality of broadband and so on in the areas where you are closing branches? If you did, what part did that play in your decision?

Jane Howard: In terms of the branches that we are retaining, first, the 89, they will have really good wi-fi. I think we said earlier any customer is welcome to come and join those. In terms of high broadband coverage, I believe that by March 2018 there is going to be decent quality, high-level broadband in 95% of the premises in Scotland.

This comes back to the ways to bank. When we are closing a branch there are many ways to bank. We are not saying when we close the branch we expect people to use online or mobile. In fact, the three out of 10 quoted earlier, they are customers who cannot or do not want to use online. That is why we put on the mobile van or we have the access to the Post Office or you have the ATM to get your cash out, which largely is what many of our personal customers do. Pensions, benefits, people's wages, they tend to get paid into bank accounts now, so it is mainly about drawing out when you are talking about personal customers.

We did take it into account, but with all of the ways to bank it certainly does not worsen it from a broadband perspective. As broadband becomes more available, the service is going to be enhanced for people who want to use online or mobile.

Q133 **Christine Jardine:** That 95% figure you quoted by the end of March of this year, I believe that is the Scottish Government figure for broadband coverage in Scotland. In fact, the 5% that are not going to have that enhanced broadband service are the 5% where it is most difficult. Do you have analysis of whether or not the rural branches that you are closing are in that 5% where it will actually be more difficult for people then to have access to the things that you cannot provide at the Post Office, you cannot get from an ATM, that you can only get, if you do not have a branch, on the internet? You may live in a rural area where there is now no longer a branch and is part of that 5% that is not going to have sufficient broadband and mobile coverage to offer you the same service as people living in a city where there is a branch.

Jane Howard: The broadband is not available today when we have the branch and, as we sit here today, I cannot tell you exactly when that is going to be available in every single community. But the range of ways to bank for what people want comes back to they will still be able to bank locally, get cash out, pay cash in, whether that is through another branch nearby, a Post Office or a mobile van. That will still be available.



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Q134 Christine Jardine: I am possibly not making it clear. I live in a city and I can use mobile bank service. I can sit at night and pay my electricity and my gas, transfer money from one account to another. I can do all of that, which I can do because I have broadband. It is exactly what you are talking about. But in 5% of Scotland they will not have access to the level of broadband and the security, et cetera, that allows them to do that. Did you do an analysis when you were closing the branches of whether the branches were in that 5% area or not? If you do have that analysis, would you be prepared to share it with us?

Jane Howard: We did not have that analysis because what we were looking at comes back to the point about what are all the ways that customers can bank today and can we still give them that service when we close the branch, which we can.

Q135 David Duguid: I have a quick follow-up on Ms Jardine's question there. The 5% across Scotland is well known but, just to clarify, I would add to Ms Jardine's question. I think I said something about this earlier, about making sure that the broadband coverage is not just assessed where the bank branch is but around the catchment area, which is quite wide in some of our rural communities, of who makes use of those services. I would ask if that has been assessed and, if not, please do so.

Les Matheson: We have looked at certain aspects of broadband and wi-fi availability. Obviously, the colleagues that we have across the whole country can help with that. We are, by the way, working with BT and with other providers, so we do have good information about how their services are going to evolve. Jane was with their development team in Dundee a couple of weeks ago. We are working with them on ways in which we can ensure that customers who are in more rural areas can get access to banking, but I would say the number of different ways in which we can help people, I think one of the biggest challenges is just helping people to know that.

Q136 Christine Jardine: Sorry, it is me again. One of the things that was raised with an earlier panel is the actual number of people who will be affected by this. You have said the closures will lead to 158 job losses, but we understand that that could be the figure for full-time equivalents. Could you tell us, if that is the case, how many members of staff are at risk rather than the full-time job equivalent people?

Jane Howard: Yes, definitely. FTE I do not talk about anyway because it is not relevant. It is about an individual person and that is who we care deeply about.

In the branches that we are closing, there are 312 people impacted. Of those 312 people, the first thing we do—and, by the way, we tell our colleagues two weeks before so that they have time to adjust themselves before we make any public announcements—is offer our colleagues the opportunity to say, "Would you prefer voluntary redundancy or would you like redeployment within the organisation?" We had 312 people and we



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talked to them about that. Seventy-nine we were able to say to them, "There is a job for you". That meant that 233 people were told, "Your job is at risk". Of those 233, 169 chose voluntary redundancy and that means obviously 64 chose that they wanted to be redeployed within the organisation.

As we sit here today—and these are last night's figures—41 of those people we have found an alternative role for, which means that, again, as we sit here today, there are 23 colleagues that we need to find another role for, and we have six months, of course, to do that because we give six months' notice. It might come, and this will be regrettable, to a compulsory redundancy, but as we sit here at the moment that is a maximum of 23 and we will work really hard with all of them to help them to find redeployment. We have immediate support available for people both looking internally and also outside of the organisation, immediate outplacement support.

Q137 Christine Jardine: That has partly answered my next question, which was going to be about how you were seeking to manage the redundancies. Are you offering support and training and what sort of support and training are you offering to staff in branches who will be made redundant by these closures?

Jane Howard: We are offering training, so immediate support in terms of outplacement. Anybody who wants a job we want to do our best to help them to get a job, whether that is within the bank or outside. That is what we are focused on. Every single person is different, they want to do something different, but they have immediate access to those resources. We give them time to do that. It is a minimum of one whole day a month but usually a lot more, but we set down a principle of absolutely one minimum. We have already trained people with things like digital capability and transferable skills. We have minimised redundancies by looking at branches that are not closing and if there is somebody in there who wanted voluntary redundancy we have done what we call a voluntary job match.

Les Matheson: Or community bankers.

Jane Howard: Or community bankers as a new role. The benefit of that community banker is it is in the communities, so that means we are helping people who are in more rural areas where it is harder to find another role internally.

Christine Jardine: Yes, it is.

Jane Howard: We are absolutely supporting them and we have made it clear to please speak to us if we are not doing enough because we are here to help.

Q138 Chair: There are maybe a couple of things that we did not quite get a full answer with. First, I just want to put something that Unite the Union said in their evidence, which I found very interesting. This was about



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preparing this for privatisation and that this is what really is underpinning a number of these initiatives. Is the bank network seen as some sort of a cumbersome and old-fashioned arrangement that you want to shed to ensure that you are properly prepared to privatise again?

Les Matheson: No, certainly not. We expect to have a branch network across the UK and across Scotland. As I said before, we are investing significant amounts of money in that. As a commercial organisation, I am responsible to try to make sure that we have one that is viable for the future and relevant for the future.

Q139 **Chair:** Your intention is to get RBS back into the private sector at some point, obviously?

Les Matheson: That is a matter for the Government. Our intention is to make sure that the bank is in a position as a commercial enterprise for any of our shareholders to do as they decide.

Q140 **Chair:** It would be seen in the market, if I could describe it as such, to be much more marketable than having this clumsy bank branch operation across Scotland?

Les Matheson: I would not describe our branch network that way at all. We have a network and we are intending to renovate and invest in every single one of the branches that we have left. I think it is a really important thing for our customers.

Q141 **Chair:** I think the figure that came up is £19 million of savings, is that correct, with this closure programme?

Les Matheson: £9.5 million.

Chair: £9.5 million worth of savings, which I think we have all agreed is a very modest amount of savings.

Les Matheson: I think we agree that this is not about savings.

Q142 **Chair:** Yes, I know and I was going to say that. What intrigues me then is that as a public relations exercise it is fantastic value for money given that you are keeping all these communities happy. Could I ask how much you have given in the way of sponsorship for RBS rugby?

Les Matheson: Other costs that we might have across the organisation—

Chair: Could I ask how much you give for RBS rugby? Do you know the answer?

Les Matheson: I personally do not know the answer. I am not responsible for RBS rugby.

Q143 **Chair:** I am just wondering who is sitting in the RBS boardroom and making decisions about what is the best use in terms of PR and a contribution, whether that is keeping branches open and keeping customers satisfied or giving money to Scottish rugby, much as I love Scottish rugby.



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Les Matheson: As you say, there are lots of different things that we have to spend money on. That is not something I happen to be responsible for.

Q144 **Chair:** Lastly, I still did not get an answer to this and I would be really interested. We need to speak to Government about all of this given that they are looking after our interests as the majority shareholder. I think you were coming close to saying that if Government insist that you look at this again, that you take consultation seriously, that you would respond to that. I think that is what I was picking up from you. Would that be right?

Les Matheson: Just to be clear, we did not consult. We informed the Government about the changes that we were making. We did not go to anybody for approval.

Chair: We are not going to get an answer to that question then. We are just going to have to leave it at that. Okay. I think I have a little bit of interest from Mr Lamont.

Q145 **John Lamont:** One small question from me. I am having public meetings in my constituency, in Duns, Hawick and Melrose, with my constituents and other affected businesses and organisations who are concerned, rightly, about what you are proposing. Up until now, the bank has been a wee bit reluctant to send a representative to these meetings.

Les Matheson: What we find is customers generally do not like talking about their details in public. When we get the chance to sit down with an individual customer and talk to them about what their concerns are, what their needs specifically are, that is how we can be most effective. We find public meetings, where people talk in generalities and talk about what they might like but not the specifics, are not quite as helpful. We will be very happy to sit down with any of your constituents who are our customers and talk to them about their particular needs and how we can help them.

Q146 **John Lamont:** I agree, I certainly would not want to discuss my banking arrangements, but collectively if the community want to come together and express their concerns to you as a bank—and I think it is important that they, as we have done today, are given the opportunity to do that—you are not prepared to do that?

Les Matheson: As I say, we think it is actually much more productive when we are helping individuals. As you say, people tend to want to talk about themselves privately.

Jane Howard: That is exactly what we find. As somebody said earlier, this is about people's individual circumstances and we are absolutely committed to helping each individual customer to find a new way to bank.

Chair: Okay. We have detained you long enough and we are very grateful for the way that you have responded to these questions. We are



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going to have to consider as a Committee what we do going forward. There are a number of things that I think are still outstanding for us that we are going to have to reassess and look at. We are grateful for your attendance. Can I ask members of the Committee to stay in place while we ask our guests to leave? Thank you very much for coming along this afternoon.