HOUSE OF COMMONS

Scottish Affairs Committee

Oral evidence: RBS branch closures, HC 682

Tuesday 8 May 2018

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Watch the meeting

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

Questions 147-317

Witnesses

I: Ross McEwan, Chief Executive, RBS, Les Matheson, Chief Executive, Personal and Business Banking, RBS, and Jane Howard, Managing Director, Personal Banking, RBS.

II: David Pickering, Chief Executive, LSB, and Liz Thompson, Head of Compliance, LSB.

Written evidence from witnesses:

- RBS
- Lending Standards Board

Examination of witnesses

Witnesses: Ross McEwan, Les Matheson and Jane Howard.

Q147 **Chair:** Mr McEwan, thank you ever so much for attending this short inquiry into RBS branch closures in Scotland. It is good to see you once again, Mr Matheson and Ms Howard. For the record, could you say who you are, who you represent and perhaps introduce your colleagues, what they do, and anything by way of a short statement?

Ross McEwan: Thank you, Chair. If I may, I will just take two minutes to give a short statement. Let me first introduce Mr Matheson, who is the head of Personal and Business Banking, and Ms Howard, who looks after all our branch network and contact centres across all of the UK and Northern Ireland.

It is a pleasure to be here alongside my colleagues, to answer your questions and set out what I consider to be our exciting plans for the future and the range of services that we offer up in Scotland. We know that closing branches is difficult; difficult for customers, difficult for our colleagues and also difficult for the communities who have grown up with the bank. We have not taken any of these closure decisions lightly. We have looked at the data, the footfall, the number of transactions, the way that people in every locality are banking and the other options that we can offer locally before we decided on the best way forward.

We have ensured that each of the branches scheduled for closure is staying open for around six months—not just the three months required—to help people prepare for the changes. Let us be clear that when we look at our customer behaviour, the evidence is stark: branch use has fallen dramatically, because the great majority of our customers want to bank when it suits them and at all hours. They are not using the branch as their first point of call now at all. We have to respond to changing trends, and we have to invest in a range of services to give customers what they want and what they expect. As a result, our offer is better and more diverse than it has ever been.

In Scotland we will continue to invest in our 94 branches, our online services and our award winning mobile app. We have increased our mobile van stops to over 440, there is telephony, there is video banking, there is community bankers, there are business growth enablers, there are ATMs and we partner with 1,400 post offices. When you add them all up, we have more than 2,000 physical service points in communities across Scotland. Every community where we are closing a branch will be served by at least one of our face-to-face services. In Scotland we have 1.7 million customers of a personal nature and 120,000 business customers. We do value them all. If you compare the range and breadth of services available today, they are a great improvement on what has gone before. Customers can bank in the way that best suits them and their needs.

We will make a final decision on the 10 branches under review by the end of this year. Setting them aside, I am comfortable with the size of our branch network in Scotland and it is right alongside all of our other services. I want to be clear that our branches do remain a core part of our service and we will not look at the size of the network again in Scotland until at least 2020 to give customers, colleagues and communities greater certainty. We will also work with the communities on the ownership of empty branches and will keep our ATM, if we have one in the community and there is no other ATM within one kilometre of the closing branch.

I know that change is difficult and we are working hard to support everyone, but banking is changing and we need to rise to that challenge; if we don't we will fail, and that is not good for anyone. Finally, I want to assure this Committee that we are listening. We do listen and all three of us are here. We are determined to provide the best service and the best bank that we possibly can. Thank you.

Q148 **Chair:** Thank you ever so much for that and for introducing your colleagues. Mr McEwan, it is over five months now since this branch closure announcement was made. It is fairly obvious that the disappointment, frustration and anger in so many Scottish communities has not dissipated with the loss of what people see as a critical local amenity. What do you have to say to the people of Scotland who are losing this facility and who feel that this is something that they value?

Ross McEwan: As I said in my opening remarks, change is absolutely difficult and we have been in these communities for a very, very long period of time. What we have endeavoured to do is to look at each one of these customer groupings and work out what services we should provide to them going forward, and making sure, as I said, that we have the points of contact for them—and we have over 2,000 points of contact for them—so that they can do their daily banking in the way that they currently do today. But it will be in a different way. It will be through a post office or through one of our 440 sites that we stop at on a weekly basis, or through our community bankers, and I think we are the only ones in the market that have community bankers.

I do understand that this is a big change that we have pushed across our network. It also goes back to a point that we are trying to give certainty about how the bank will operate going forward, so we can work with our customers to get them used to that.

Q149 **Chair:** There is nothing in that response that addresses the question about what you say to people who value their local branch as an asset and a community amenity, who feel that the loss of this has a huge impact on the community. First of all, do you recognise the anger and frustration that exists out there just now about the closure of these branches? What do you have to say directly to them about this? We know you are trying to put people on to digital banking, but what they seem to be saying to elected Members and to the bank is that they want these branches to remain open.

Ross McEwan: I do recognise that, and I am sorry if I did not pick that up in my comments. I do recognise that customers are very disappointed that their local branch is closing. What we have looked at is: how do we put services in place that serve those customers' needs from a banking perspective, that we can do commercially that works with our customer groupings as well?

Because of that feeling in the community, we have said it is fairer that we stay open for up to six months so that we can work with each of these customers, take them in and introduce them to the people who work in the post offices, make sure that they are au fait with the vans that are coming around, and particularly to connect the more vulnerable and disabled people with our community bankers to make sure that they understand the transition from where they are today to where they will be in the future, and the services we will provide, and we can work with them.

Q150 **Chair:** Last time the Committee took your evidence on this, I think Mr Matheson revealed that the total savings to RBS from these closures will be £9.5 million. Is that the figure?

Ross McEwan: That is a number I do recognise, yes.

Q151 **Chair:** Given you have just made £750,000 profit in the first three months of this year, and given that you have an operating value of £2.4 billion, £9.5 million is such small beer, so why don't you keep the branches open as a gesture of goodwill, as good public relations? You have taken a public relations pounding on this. Why don't you recognise this and do something that the people seem to want you to do, which is to keep these open? It is such a small amount of money, so why go through such a loss of reputation for £9.5 million?

Ross McEwan: It goes back to the way that customers are interacting with a bank. Be it us or any other bank, it has changed dramatically. Their behaviour and how they interact has changed, and you have seen the drop off in the usage of these branches, along with branches throughout the UK, has been dramatic. It has been much greater than I would ever have anticipated when I started running the retail bank six years ago—dramatic changes. It is not just here in the UK and it is not just in Scotland; it is across the world that people are changing. My view is that what we have done here with a package of different ways of operating with this bank is the best way going forward; that we can keep those services to our customers as well as moving away from physical distribution when it is just not being used.

Les Matheson: All of us have gone out and talked to customers. We have all been to some of the branches that are closing and to some of the branches that are staying open. One of the things to be clear about is that there are 2,000 physical points of presence that our customers now have available to them. Ten years that was far, far less. The number of ways that you can bank, whether it is in a post office, whether it is on a mobile, whether it is a mobile van, the variety and the ways in which we are investing is definitely appreciated by customers when we have been out there.

Jane Howard: One of the points you made last time was that customers do not necessary understand what a mobile van is or what a community banker is. We listened to that and we made sure that we got the mobile van out to the communities, so that customers could go and experience the service that they can get on that. We have had 600 customers who are now seeing a community banker, so they understand how the community banker is going to be able to support them with other banking needs going forward.

Q152 **Chair:** There are a number of points we want to raise with you about mobile banking, because this is quite a sensitive issue that we want to cover. I have one last introductory question, and it is about what you said, Mr McEwan, about this transition into digital banking. What we have heard from Unite the union is that there are real efforts to ensure that this transition takes place, and that staff have been set targets in order to deliver this. Is it the case that staff have been set targets in these branches in order to secure these digital customers?

Ross McEwan: No, it is not right. Can I just say what we do have? Some years ago we removed all incentives out of our branch network. I think we were one of the first banks to do that. We took all incentives out. What we have been asking our colleagues to do is talk to customers about other ways of banking—be that online or using the mobile app—as part of our proposition, because the service delivery out of those two entities alone is significantly higher than the actual service scores that customers give us for a branch or any other means of interaction with us. That is why we have asked our staff, "If you have a great mobile another place, show your customers that." There are some customers who don't want—

Q153 **Chair:** To clarify, your staff are under no pressure and under no obligation to ensure that people are transitioned into digital banking? There is no way that there are targets involved in all of this and there is no question whatsoever that any member of staff who fails to meet these targets will be any sort of disciplinary procedure?

Ross McEwan: Can I divide that into two quite distinct parts, please, because it is quite important? First, we are asking all of our branch staff to have conversations with customers about the different ways of operating, be it online or through a mobile. We have what we call tech experts who are helping customers use a mobile phone. I make no excuses for that, because this is our most popular channel now and the highest net promoter scores we have. We do ask our staff to have that conversation. That is something we guide them on and have a look at how that has gone. If that is what you mean, then yes.

Once we have made the decision to close a branch and we have given people time, yes, we do then ask them to have a direct conversation about the other ways of banking, which could be through a mobile van or it could be through a post office. I have been in to see one of the post office branches myself, where the postmaster was delighted that we were escorting customers across. We do show them how to use online banking, how to use the mobile—all of those facilities. We actively show them that, so if that is what you mean, then yes, we actively do ask our people to engage, absolutely.

Q154 **John Lamont:** I have a number of points I want to make during the course of this morning. My initial reaction to what I have heard from you this morning is that there is a complete misunderstanding by the bank of how rural communities operate, their dependency on small branches and the impact that your decision to close them will have if they don't have mobile reception or broadband. The alternative options that you have tried to describe to us this morning very often are not available to those communities and those residents. I think you have completely misunderstood how many of your customers do banking. Given that the Government are the UK majority shareholder, if you were told by the Government to think again about this, what would your reaction be?

Ross McEwan: Can I just pick up on your first point? We do understand the impact that the changes we are making have on customers. That is why I go back to the point that we have given up to six months, so that we can help customers interact with us in a way that may be different but it will be directly face to face. Each one of those 2,000 points is a face to face with either somebody at a post office, with somebody at one of the 440 sites we stop at or with a community banker. We do understand that this is a large change for a number of customers, which is why we have spent the additional time.

We have informed the Government here in Westminster and the Scottish Government of the changes being made. They are a 70% shareholder and, as such, we do inform them of the changes being made here, but there is quite a difference between informing and consulting. There are different parties we consult.

We take views from a lot of people. Last week I spent three days with other shareholders and listened to what they had to say, just as I do with my major shareholder through UKFI. I do listen. I do listen to HMT. I do listen to the whole lot but, at the end of the day, I am running a commercial operation and we have to make commercial decisions.

Q155 **John Lamont:** You listen but you do not act. You may have allowed six months to consult with these communities, but the reality is they still will not have mobile phone signals and they still will not have adequate broadband to allow them to access your services. I understand the point about consulting, but after that period of time the infrastructure is still not going to be there to allow many communities, certainly in my constituency, to access the banking services.

Les Matheson: I was in your community at the weekend talking to some people there, and looking at what facilities are available and what facilities are not available. As I said earlier, there are now going to be 2,000 points of presence. Ten years ago we didn't have anything like that. In terms of the breadth of service that is available, and our ability to help some of your business banking customers—the fact that some of those business banking customers in some cases can use contactless, for example—we have been out to these communities and we have talked to them.

Q156 **John Lamont:** The impression from my constituents and many people across Scotland is that they don't accept that. Selkirk Community Council has closed the RBS bank account that it had. The businesses in Selkirk and many other communities are now being encouraged to close their bank accounts. I have held a number of meetings in my constituency, in every one of the six towns that are going to be losing their branches, and I have never seen so many residents turn up to express their anger and the sense that they have been let down by the bank. All the warm words that you are coming out with this morning, and all the reassurance that you are trying to give us and the wider public who are going to be losing the bank—they just don't buy it. They feel betrayed because they had to step forward as taxpayers to save you guys when the banks were facing crisis and this is how you are going to repay them, by shutting what is very often the last bank in their town.

Les Matheson: I would just say that has not been our experience. We have been trying to adjust our footprint, the way in which we talk to customers and the way in which we help them, over the past six, seven or eight years. We absolutely understand that for some people mobile or online mobile banking, as in the phone, can be great but it does not help everybody. That is why we are doing additional things—more than anybody else in Scotland—such as the number of mobile van stops that we make, and our relationship with the post office and community bankers.

If I go back over the past six or seven years, when we have been closing branches, we have not been losing lots of customers because there are other branches that they can go to. As Mr McEwan said, we intend to have branches and we are not planning on any further changes until 2020.

Jane Howard: May I add a point? Seven in 10 of our customers in Scotland either use the mobile app or internet banking already. Wi-fi is a problem. It will get better as investment is made, but seven in 10 already use mobile or internet banking.

Q157 **John Lamont:** It is the ones who cannot get access that we are concerned about. It is fine if you live in Glasgow or Edinburgh, or one of the urban parts of Scotland, but there is an issue for small-town, rural Scotland, where people don't have access to these alternative services. Lastly—I know you say that this has not been your impression or your feedback about the concerns that I am raising—if you had come to the public meetings that I had organised, instead of declining my invitation to attend to hear and to face the concerns of residents, you would have a much better understanding of my constituents.

Les Matheson: What I said at the time—I am very happy to say it again—is that I am very happy to meet with people individually. As we discussed at the time, people preferred generally to have their financial affairs discussed privately. We are very happy to talk to any of your constituents one on one.

Q158 **John Lamont:** There is a clear difference between discussing people's financial affairs and people coming together, as a community, to tell the bank how angry they feel about what you have done to their community. You need to make that distinction and be sorry that you didn't decide to come and face the people who have been directly affected by the bank's decision.

Ross McEwan: I do understand that communities feel a great loss as a result of this. Can I pick up on the point about broadband, because it is very important, and something that we do realise isn't where it should be in many parts? The connection with the post office—and I have been into one of these little post offices to have a conversation with the postmaster, to see how it looks and feels and how they feel about it as well—that is the piece where there is no broadband and our people are taking them across to the post office to introduce them to the postmaster, so that they have a relationship going forward. The vast majority of what those customers are doing is money in or money out, either cheque or cash in and out.

I stood behind one of our tellers for about an hour the other day in one of our branches—one of the 10—and it was very interesting to watch the transactions going on. It is money in and money out. Sometimes that cash that has gone out comes back in the four weeks in exactly the same denominational notes, back in to pay the bills. I then went to one of the post offices to have a conversation about how that felt for them. They were delighted that this was happening and we were bringing customers in to them, because they saw it as essential for them to stay open as well.

To come back to your wi-fi point, I understand that issue and that is why we have the vans and why we have also connected with the post office, who I think will provide a very good service.

Chair: I have three supplementary questions, from Mr Sheppard, Mr Gaffney and Ms Rowley.

Q159 **Tommy Sheppard:** Good morning. Just to start, Mr Matheson, with an observation on what you said there. If it is true that you have over 2,000 points of physical contact between the bank and its customers, it does make me wonder why you are going to such lengths and courting so much controversy to get rid of just 62 of them. It puts it into some sort of perspective, does it not? I want to go back to Mr Lamont's question and ask this to Mr McEwan another way around. Could you tell us what representations you have received from Her Majesty's Government, on behalf of the UK taxpayer, who owns 70% of the bank, relating to the closure programme?

Ross McEwan: We haven't had any representations. As I said, we have had conversations letting them know what we were looking to do.

Q160 **Tommy Sheppard:** Have they expressed any view on that?

Ross McEwan: No, they haven't. They have said it is a commercial matter for the bank. I think the Prime Minister said that publicly in the House as well. That is the way the organisation is set up. We do listen to views, but we also have a commercial operation to run here, and we need to be held accountable for how it operates going forward. Things are changing in banking faster than I have ever seen.

Q161 **Tommy Sheppard:** You don't see the fact that the UK taxpayer owns 70% of the bank as in any way as interfering with the commercial imperatives? You don't see that as conferring some sort of obligation to have community or public service standards in the bank that are not just based on commercial criteria?

Ross McEwan: We do have an imperative around our community standards, the things that we do in a community and the services that we provide. That is why the services that we are providing in those communities are greater than any other bank that I am aware of does in those communities. We absolutely do care about that social service and how we provide it. We have to find different ways of doing it than what was set up 290 years ago when we started as a bank. The world has changed and we have to change as well.

As I said, I accept that that is very difficult, which is why we have over 2,000 points where customers can connect with us through a post office, through our mobile vans, through our community bankers that we didn't have 12 or 18 months ago. These are the services we are putting in place, so I think it is imperative. We are set up as a commercial operation. The Labour Government nearly 10 years ago, when this bank did collapse, set this up as a commercial operation, with the support of all other parties. So yes, we absolutely do have social obligations as a bank, but not just because of a 70% ownership.

Q162 **Tommy Sheppard:** If the Government were to express a view, how would you respond to it?

Ross McEwan: We would listen, as we have to others who have expressed views on the service we provide.

Q163 **Tommy Sheppard:** Let me put it another way. Do you think it is proper that owners of a company should seek to express some view on its strategic operations?

Ross McEwan: First off, let us go back 10 years, when this was set up as a commercial operation. That is how it was set up and that is how it runs. I do listen to all of my shareholders. As I said, I spent three days last week out with our shareholders of all sorts of varieties, listening to their views on this organisation and taking their feedback.

Q164 **Tommy Sheppard:** Our concern is that, were it not for the British taxpayer, your company would no longer exist.

Ross McEwan: I totally agree with that.

Q165 **Tommy Sheppard:** The British taxpayer has expressed their view in the communities that we represent as to what they would like the bank to do, and we don't feel that they are being listened to, either as consumers but, more importantly, as the people who have stumped up the cash to keep your company going.

Ross McEwan: Could I just raise a point here because it is a very good one that you raise? I am also charged with getting as much of that money back for the shareholders, which includes the UK and all of the taxpayers. I need to make sure that this bank is in a good shape going forward so that the value of this organisation can be realised at whatever time the Government choose to sell their 70%. I do have an absolute commercial imperative on behalf of all shareholders, the 70% and the UK taxpayer, and I would dearly like to get it its money back, but I need to build this organisation for the future structuring of the bank, as opposed to all of its past.

Q166 **Tommy Sheppard:** My final question is this: we all accept that the total savings involved here are about 1% of your current profits, so why is it such a commercial imperative to make these closures?

Ross McEwan: Because customers have changed the way they do business. That is why we are making these changes. Unfortunately, when customers make the decision to bank in a different way, we need to respond just like any other industry. You are seeing the outworkings of companies that did not make the transition to different forms of distribution that customers wanted.

Chair: I have an ever-extending list of supplementaries. Can I ask those with supplementary questions to keep them as brief as possible?

Q167 **Hugh Gaffney:** The UK Government are the majority stakeholder; 71% was paid in by this Government. I heard over the weekend that you are now outsourcing jobs to India. Is that a different way of doing business? Is that how we are going to get our money back, by using cheap labour? Because the equivalent of that here just now is good wages and terms and conditions. If we are going to outsource jobs, which I cannot understand—losing jobs in Scotland when you move them overseas—can you explain that to the British taxpayer who has bailed out the bank for 71%?

Ross McEwan: First off, I am not sure about the connection between branches and India, but I get your point about jobs. We have had an operation in India for well over 20 years. It came through the fateful ABN Amro purchase, and we have had a large number of staff in India over those two decades.

The operation in Scotland—I am very aware of the Scottish piece here, because we were formed in Scotland and this is our home—we have about 11,500 staff in Scotland. That number has not changed that much at all over a long period of time. We are, if not the largest, certainly the largest commercial operation that operates in Scotland and we are very proud of what happens there. We have major parts of our retail business that operate out of there, not just for Scotland but for across the entire UK, Northern Ireland and also the Republic of Ireland. We run most of our IT out of there. Yes, we have lots of IT outsourcing in India, just as many other organisations do. We have a large back office operation in India, but all of our people contact centres are in the UK. Anywhere where there is contact with customers is in the UK. We are a big employer here. Yes, we are a big employer in India. It is about where we can get the right people to do the right job at the right pricing point as well.

I was incredibly disappointed by that article in the paper. We are not a low payer in India. That is not why we are there; we are there because we have fantastic colleagues who, when you go and visit them, think of themselves as RBS. That is who they are employed by. They are incredibly proud of the organisation. It is very disappointing to have a completely factless piece of reporting in the paper that did not talk about the big benefits that we pay to those people, the shift allowances, the retirement fund, the taxis to work, all of those things that add up to considerable amounts of money. It is disappointing. We are a business that has staff all over the place, around the globe. We operate in Poland as well.

Q168 **Chair:** The immediate concern in that piece was the fact that the jobs being established in India seem to be the very jobs that are being lost in Scotland. Are you telling us that there is no similarity at all in the jobs that you are currently advertising in India and are not to make up for some of the lost capacity in Scotland?

Ross McEwan: The jobs we are talking about here are branch staff jobs. There is no branch staff operation in our Indian operation. If anything, we have closed our Indian operation—we are in the final throes of closing it down completely, from a banking branch perspective. Again, we are drawing a long bow between branch closures and what is going on in India. We have made no bones about the fact that we have a very large Indian operation and are very proud of that. These are our people, just as the people in Poland are as well, just as I have them in Singapore, Hong Kong and Japan. I have them in the United States.

Les Matheson: In all places we are hiring people all the time. It has absolutely nothing to do with the branches.

Q169 **Hugh Gaffney:** Just on that supplementary question then, 52 branches are closing—possibly 62 by the end of the year. You say that you value them all, so can we then look at a call centre in Scotland to try to make some sort of soft blow?

Jane Howard: We actually have two in Scotland, and we have been investing in that. We have introduced two new roles into our centre in Scotland. One is a community protection manager, and they are there to support customers who perhaps have mental challenges. We have also introduced a senior personal banker, who can help customers over the phone and they can also help customers with video. That is something we are investing in actively.

Les Matheson: We also have call centres for mortgages, for example in Greenock, as you may know. As part of ring-fencing, we will be looking at how we manage our business and where operations happen to be, and we will be looking over the next year at where the appropriate places are for some chances that we may make.

Ross McEwan: The Committee is more than welcome to come and see our contact centres, which we are very proud of, in our Scottish operation. More and more they have been centred on delivering to our Scottish community and our Scottish customers.

Q170 **Danielle Rowley:** I want to pick up on something Ms Howard said earlier, which was that seven out of 10 customers use online. Do they exclusively use online or are they, for example, a small business that is an online customer but also relies on bank branches and potentially will be unable to always use services in a post office due to limits of money—

Les Matheson: Could I answer that to begin with? First, to be clear, I completely agree with the thrust of your point, which is that we expect people to continue to use branches and we intend to have a number of branches. As we said earlier, the ones that we have we are not planning to make any changes to. I did talk to the Committee about that the last time I was here, but Mr McEwan has been more specific about the timing. We do think that people still need to go to a branch, but for their day-to-day transactional things they like using mobile and they like using online. For more detailed things, which are more challenging and more complex—taking out a mortgage, talking about insurance, taking out maybe other types of products—then they will need a branch. We will have branches; we will just not have as many and they will not be as easily located.

What we find is that two thirds of the customers we have in these branches that you are talking about that are closing use branches today that are going to be staying open. Two thirds are already using more than one branch, so we expect that they will continue to use them. Did you want to add anything to that?

Jane Howard: We are all different and we all choose to do our banking differently, and we find some customers who do almost everything now on their mobile, and I am sorry I did mention it last time as well. It is the mobile that has transformed the way people do their banking, because they use it for so many other things in life, starting with your alarm clock in the morning to goodness knows what during the day.

We are seeing that customers who prefer to use their mobile are now contacting us through a new service. They can message us. They can send us a message and we get back to them. Then we see another group of customers who like to use the mobile for doing payments, transfers, Apple Pay, for example, so they don’t have to carry a card and use contactless. They prefer to phone or video us, if it is something more complicated or a loan.

The point is that everybody uses the bank differently but, you are right, some people will use both mobile and online banking and a branch or a post office or a mobile van; it is not one or the other. The range of ways to bank—and Ross and Les have both made the point that we have more than 2,000 physical points of presence in Scotland—are there so that people can use all the choices.

Les Matheson: Jane, you were in Kelso a week or two ago and a customer was talking to you about that.

Jane Howard: Yes. When I was in Kelso I met customers who are from another branch. They have chosen to use Kelso to do their banking. They were already using it occasionally but they go there to do their shopping, so they have chosen to do their banking in Kelso and that is a choice. At the same time, they were sitting down with somebody to understand how they can use a mobile.

Chair: We will move on. We are grateful for Mr Matheson’s questions but, if he does not mind, we will reserve the questions for the Members of Parliament around the table.

Q171 **David Duguid:** Mr McEwan, first of all, thanks for coming in. Before I start, my constituents are relatively fortunate, in that although two branches are closing in two of the towns in my constituency, there are still at least two other branches, of other banks, in each town. I will let others talk about the impact. It is something I do feel strongly about, but it does not affect me and my constituency in the same way. When you are closing the last banks on the high street, I think that is a disgrace, but I will let others talk about that.

In your opening remarks, Mr McEwan, you mentioned that you recognise that this is a big change and that it is very difficult for people, but at the same time you said that nothing will change in the way people can bank. Mr Matheson, I think you talked about the 2,000 different points at which people can bank. You have also talked about the measure being taken to make changes as easy as possible, but many of the constituents I have spoken to about bank closures—and about RBS bank closures in particular—are just deciding to vote with their feet and go to one of these other banks. Do you measure how many customers you are losing or are likely to lose as a result of this move?

Jane Howard: Yes, we do measure that and we will continue to measure it. In the past we usually retain about 97% of the customers and their business. We discussed this very briefly at the Committee last time. What we are seeing is that change is very unsettling for all of us, but once we have shown our customers the new ways to bank and explained to them how they can bank, whether that is 600 interviews at the community banker, whether that is taking the mobile bank out or whether, as Ross said, it is introducing them to a postmaster, then they get settled with the certainty of how they can do their banking. We have people in our branches who are absolutely committed to serving our customers well and helping each and every one of them with a new way to bank. They will judge us on that and stay with us if we do a good job.

Q172 **David Duguid:** Do any other panel members want to comment on that?

Ross McEwan: No, I agree with what Jane has said. Our teams are doing a very good job of showing people other ways of banking, be that through the post office, through the vans or through the community bankers, because there are some very vulnerable people out there who we need to look after, and we are, and that is why the additional time—

Q173 **David Duguid:** I am sorry to interrupt, but I am not talking about vulnerable people; I am just talking about normal people. I don't know whether you would call us normal, but people who go about their daily, weekly business, personal business, that want to use the bank. When they can't anymore, they will decide, "Well, there is a TSB or a Clydesdale Bank or a Bank of Scotland—other banks are available down the high street." Why wouldn't they just vote with their feet and leave?

Les Matheson: To come back to Jane's point, we are not finding that people vote with their feet, partly because what you are seeing—and you will know this better than me perhaps—is the banking industry is doing the same thing. Our competitors largely are doing similar things, and the reason is that the ways in which people bank are changing.

If you are asking whether we are losing lots of customers, the answer is no. The reason is that we are giving them lots of other ways of being able to bank and because there will still be branches that many of them go to anyway. The majority of our customers will have a branch that they are already used to going to. You perhaps—I don't know—may go to a branch in Aberdeen or Inverness.

David Duguid: I still have a branch in Turriff. I don't bank with RBS so it does not really affect me personally.

Q174 **Christine Jardine:** Thank you for coming along today. I have two concerns initially. RBS headquarters is in my constituency and we have heard a lot about the future of the bank. I am concerned to have some reassurance, particularly following the newspaper headlines today that there could be further bank closures, about the future of the bank.

Also, have you considered the suggestion that has come from my own party—as you say you are not the only bank that is doing this, at the moment, all banks are announcing closures—for small communities, the rural communities that are worst affected where there very often isn't broadband coverage, have you considered working with the other banks to create a banking hub in these communities, and would you consider doing that because it is possible that the post office might not be enough? There might not be a post office there? That could be the answer for these communities who we hear are having a double hit, from the fact that they don't have the same broadband as we do in the central belt and now they are losing their branches.

Ross McEwan: I will pick up on the last question first, if I may, and come back to the headquarters piece. We have considered whether we should come together with other branches?

Chair: Can you keep it brief, please?

Ross McEwan: We have considered whether we should come together with other banks to do this. The conclusion we came to was that there is a post office in just about every town, village or community. When you get into the post offices, they are absolutely appreciative of us taking customers across to them, because they get paid for the service that goes through their operation. We have seen that that is the best place and all the other banks are now doing exactly the same.

That creates the hub in the community, to see if we cannot hold on to something like a post office in its many guises, some are sharing it with supermarkets and some are standalone, but they are becoming the central hub where everybody can facilitate through it. That is where we came to in the end.

On our headquarters, I would be delighted to take any of the members throughout Gogarburn headquarters. It is a completely different operation to what you would have seen even two or three years ago.

Q175 **Christine Jardine:** Sorry to interrupt, but I did not mean the headquarters; I meant the bank and its network.

Ross McEwan: I will stay with the headquarters piece because it is quite important about the change going on in the bank and you are more than welcome, because it is one of our hubs for innovation and change across the organisation. We have moved another 3,000 people into that centre to make it an absolutely vibrant hub. We also have other operations in Scotland that we are very proud of. Our headquarters is there. Yes, we have a headquarters in London but, as you will have seen, we have been reducing our presence in London. The question is: where do we put the reduction in the presence in London? Where does that go? That is the big question we ask ourselves? Scotland is a vital part for us, so it is very important.

Q176 **Christine Jardine:** Just to clarify your earlier comments, you have considered the idea of hubs but you don't think you will take it up because you prefer to rely instead on the post office network?

Ross McEwan: Yes, and I think all of the other banks have come to the same conclusion, because they are all linking through the post office, which hopefully creates a vibrant hub for centralised banking through all of the banks into those centres where there is not a branch in the town, and in some cases where there is a branch but a post office is a prominent part of it.

Q177 **Christine Jardine:** We heard earlier from some of the other members about the reputational damage that the bank has sustained because of this and the jobs. Would there not be an argument for saying that it would be a positive gesture by the banks, it might help the reputation and create jobs if they were to set up these hubs in small communities that have been worst affected? Towns such as Tain, for example, in Ross and some of the branches, the 10 branches that you say you are saving or an extra six months at least, set them up in these areas as a visible commitment by the banks to the communities.

Ross McEwan: The post office is the best place for that connected commitment into those communities, because there are 1,400 of them in Scotland. We are all connected through their systems as well. Our systems will not connect through into a TSB or a Santander or a Lloyds or a Bank of Scotland. The post office has done the facilitation of connecting their systems in and out as well, so money can go in and money can go out. It doesn't matter whether that is a personal customer or an SME customer. That facilitation is already in place and that is the best place for it to be.

Les Matheson: You are quite right that we have had a lot of discussion about it, a lot of discussion with MPs and with the post office and with other banks. In the end, the solution that everybody ends up coming to is: why would we set up a separate banking group when you have a Post Office and it will make it harder for the Post Office to survive if we are not trying to help them?

Christine Jardine: Thank you.

Q178 **Ged Killen:** I want to come back to the point that Mr Matheson made about you expecting that some customers will still have to use branches under certain circumstances. How do you expect some customers to find the branches? If you are on your website—which I was on at the weekend—and you type in a town, it will show you what branch is within five miles of that town. If you type in "Lochgilphead," where there are no branches within five miles, you will get no result. What do Lochgilphead customers do?

Les Matheson: With any customer who is not really close to another branch, we tend to find that most of them will visit another town at some point in their normal routine in a month—not everybody, but most of them. For those who cannot, and who cannot use a mobile app or who cannot use online, they can call, and a service that we are developing—Jane was talking about this—is also a video, if it is appropriate and if customers are able to and want to use it.

Q179 **Ged Killen:** If you are expecting customers still to use branches occasionally, why don't you tell them where the nearest bank is, if they want to go to a branch? Are they to guess which town it is in, if they live in Lochgilphead?

Ross McEwan: No. That is a good point and we will pick that up and make sure it does show the closest to. That is a very good point. Thank you. I had not realised that we had restricted it to the five kilometres, so thank you. We should also connect in where there is a post office as well or a van facility.

Q180 **Deidre Brock:** Thank you, Mr McEwan, for coming in. You are obviously relying very heavily on the post office network to fill in the gaps in your service, but contributors to our call for evidence for this inquiry have expressed some concerns about the training of post office staff regarding such things as spotting money laundering trends, and indeed in the security available for sensitive banking transactions. Could you please tell us how you are addressing those concerns?

Ross McEwan: Thank you. Can I ask Jane to answer that?

Jane Howard: Yes, of course. The Post Office was just before the Committee last time. It is a regulated organisation and Mr Kearsley at that time made it clear that their colleagues are trained. In addition to that, we have agreed that where we are closing a branch we will transfer our note detection, our fraud note detection machines, because that was something that was of concern, and also counter machines and other things that are useful to the post office and they will transfer to the nearest post office.

In terms of training their colleagues, they do already have a training programme. We have been working with them. We have a further meeting with them on 15 May, and we are going to share with them all the training we do for fraud and scams training to increase the capability of their people. As I say, they are regulated, they have standards to meet and they already meet those standards, as you heard from Mr Kearsley last time.

Q181 **Deidre Brock:** Are you saying that they will be offering exactly the same services that they would get in a branch of your bank?

Jane Howard: It will not be the same services. We are very clear on the services that are available in the post office: it is for transactions. If a customer wants a loan or they want to discuss something very personal, that is where the role of the community banker is really important, or the other choices. They could phone, video or arrange to go to another branch, because seven out of 10 of our customers already do. There is a whole range of ways you could talk about your other banking needs.

Deidre Brock: Okay. We will be getting to community bankers later.

Q182 **Paul Masterton:** I am really quite concerned about our complete over-reliance on post office services. In my constituency I have four post offices that have closed this year, none as a result of anything decided by the Post Office centrally. All decided to close because the local shopkeeper simply does not want the hassle anymore. I have real concerns that you are simply saying to people, "Oh, we will just park you with the post office." You are not in control of individual postmasters deciding that they do not want to do this anymore. Do you have any long-term foresight into what you are going to do for your customers, who you are saying to today, "Don't worry, because you can get, kind of, a half-decent service from the post office" but in six months' time the person at the newsagent might decide, "This is a complete hassle. I don't want to do this anymore," and then that post office service goes?

Ross McEwan: That is a very good question. First, we will continue to review how we serve customers. We will change the van routes. We will change the times of banks up and down, based on customer requirements, and we will do exactly the same as you are talking about there. That is a very good question, because it is a pretty fluid environment that we are all operating in at the moment and it is about how to get the services to the customers. Jane, would you like to talk on that point?

Jane Howard: Yes. Again, the Post Office has confirmed that it had no intentions to reduce the 1,400 and, as Ross has said, if we do see that we can consider things like our mobile bank and to extend that service. We will continue to review that.

It is fair to say that there have been a couple of challenges with the odd post office here and there, but we have regular meetings with the central Post Office. We had four instances and in all four instances the issues have been sorted. Again, if people hear of any issues, we have people who are escalating to us and we would be delighted to get involved and sort it out.

Ross McEwan: That is a very good point, just the sheer change that is going on out there, and we need to stay attuned to that, and we have other services such as the vans that we can swing into those communities.

Q183 **Paul Masterton:** Will every post office that will be taking on a banking service be providing identical services or will there be a differentiation between what you can do in perhaps a large, standalone post office, and what you can do on an RSB call?

Jane Howard: There is a difference. The large, central ones offer far more services than the smaller ones, but it is consistent in terms of the smaller ones. Again, we talked about a business customer before. The cash-in limit is £2,000, but where somebody needs to make a deposit that is higher than that—and for some reason there are two particular areas, and one is carpeting businesses; they seem to need to deposit more than £2,000—we can make individual arrangements with the post office, and they have been put in place.

Q184 **Paul Masterton:** When the local branch has closed and, as part of your communication with customers, you have pointed them to the local post office, when the postmaster decides that they cannot be bothered and it is too much effort and they do not want to continue that post office service, will you then come back into the game to work with the post office to seek to relocate that service, or will you simply say it is the post office's problem?

Jane Howard: These post offices that we talk about are small businesses, and we all know how hard small businesses work and we all know how customer-focused they are. That is a very important point that none of us should forget. Ross gave an example and I have spoken to postmasters locally. It was a request of one of the Committee members that we did that and, in every case that I have spoken to, they are looking forward to the additional business that they will get. Where circumstances change, we will hear about that and we will work with the post office and will consider all the ways to bank.

Chair: We have Hugh Gaffney and Deidre Brock and those are the last of the supplementaries we are going to take, because we really have to move on.

Q185 **Hugh Gaffney:** I will try to make it quick, because I do respect that there are a lot of questions coming up. On the post office situation, as someone who campaigned a lot to keep the Crown Post Office, and we lost them, post offices are now a franchise, which is what you are talking about. That is owned by Allied Irish Banks. Are you going into partnership with Allied Irish Banks? That is what you are doing, technically speaking.

Les Matheson: We don't; Allied Irish Bank has a separate individual contract with the Post Office, I believe, and each of the main banks across the UK has an individual contract with the Post Office, as we do, for the services that they provide for us.

Q186 **Deidre Brock:** Where is your long-term commitment to these rural communities? Ms Howard, you are talking about the post offices and, Mr McEwan, you are saying that you will pay attention to post offices and whether they close or not. What is going to make you at some stage in the future, if a post office closes, come in and then start offering your banking services again in that community? What forces you to do that, other than you just coming here and saying this to us, as you are perfectly able to do? There is nothing that requires you to do that. Where is your sense of responsibility to communities across Scotland? You talked of the proud history of the RBS, yet that leads to an even further feeling of huge disappointment in Scotland at the tack you are taking here.

Ross McEwan: One of the things that shows how flexible we are is that we have changed, and will continue to change, where our mobile vans go as it relates to where the customers need our services. If a post office, for example, was to come out of Melrose or Biggar or somewhere like that, we would make sure of that service from a cash-in, cash-out, having contact with face to face, and if we needed to put a van through there that is what we would do. I think we have shown it is quite important to make sure that is clear.

Q187 **Deidre Brock:** Well, can I just interrupt you, Mr McEwan? We will be talking about mobile banking and other services later. One contributor to our inquiry stated, "The bank seems to have forgotten that it provides a service to the community. The bank seems purely interested in maximising the profits with the loss of its community responsibilities." What do you see RBS's responsibilities to its communities as being?

Ross McEwan: I am sorry, but I just disagree with that. When you have 2,000 places of face to face, it is different to having a branch network but it is a face-to-face interaction, be that with one of our mobile vans and the people that run them, be that with a post office, be that with our community, people that are in the community, our community bankers. These are different ways of doing business. It is quite different to what it was 100 years ago, or even 10 years ago, but how customers are interacting is completely different.

Only 40 years ago there was no online, there was no telephony, there was no mobile and there was no video banking—none of that was available—and ATMs had probably just started. This is what is changing. You have seen cheque usage down 17% in one year. Even though there are more notes in circulation, cash usage through the system is down. ATM usage is down. We are seeing massive changes. We have to adapt to that and provide the services to our customers in a different way, and that is what we are doing.

Q188 **Chair:** Thank you. Mr Thomson has been fairly patient but I want to nail this jobs business on the head. Mr McEwan, given that you are an avid reader of newspaper headlines, you will have seen the front page of the *Daily Record* today, which talks about job losses way beyond what this Committee was told last time you appeared and the advance notification of redundancy, the HR1. It seems that you gave notice that, with the current 52 branch closures, with a staff total of 228, there will be 179 compulsory redundancies, and Unite the union has said that is eight out of 10 people in these branches. Are these figures that you recognise?

Jane Howard: May I respond? I apologise but I am going to go through some of the data from last time, because it is very relevant.

Chair: If you can do it briefly. We are just trying to get to the point of this.

Jane Howard: I am going to say the facts because it is quite important.

Ross McEwan: This was a headline in the paper, so we would like to outline the numbers, please, so if I could ask Jane to take her time. It is really important.

Jane Howard: There are misunderstandings. As I said last time, 312 people, not FTE, were impacted as a consequence of the closures in Scotland. When we announced that 79 of those people were told there was an immediate role for them, and 233 were informed that their role was disappearing and we talked to them about the choices they had. The choices were: did they want redeployment within the organisation or did they want voluntary redundancy? As a result, 169 chose voluntary redundancy and 64 chose redeployment. When we were here last time, of the 64 who wanted redeployment, we were still looking to find jobs for 23 of them. As we sit here today that number has reduced to 12, so we are still supporting 12 colleagues to find a role within the organisation. If we don't, the maximum number of compulsory redundancies will be 12.

Q189 **Chair:** So the maximum number of compulsory redundancies is 12.

Jane Howard: The maximum number will be 12.

Ross McEwan: If we are unable to find jobs for those 12.

Q190 **Chair:** How does that marry with these HR1 notifications of redundancy that were issued and seen by Unite the union? What was the confusion?

Ross McEwan: Those are the statistics we have relating to this group of branch closures, as Jane has articulated.

Chair: We will need to discuss this.

Ross McEwan: I am happy to write to the Committee to give you those numbers.

Q191 **Chair:** Could you please, just to clarify this for us? There is some evidence from Unite the union that has been expressed here, so if you could supply that to us that would be very helpful.

Ross McEwan: Yes. It is very important.

Jane Howard: We can do that.

Q192 **Ross Thomson:** Since this Committee last took evidence in February, you announced that 10 branch closures have been postponed by six months, so these branches are being given a chance to demonstrate that they are sustainable and will have their closure decision independently reviewed if they make sufficient improvements. How did you decide which branches would remain open for that additional six months? I am not clear on what the criteria was and what the process was. We would be grateful for any clarification you can give.

Ross McEwan: Thank you. That is a very good question, and there were very specific criteria around those. I will ask Ms Howard to go through the criteria for you, because I think that is very important and thank you for raising it.

Jane Howard: We listened to feedback from customers, from communities and from elected representatives from all parties. A common theme that we heard was about "last bank in town," which again we have heard here today, and "distance to next branch." We chose the 10 branches carefully. Eight of the 10 are the last bank in town and more than nine miles from the next nearest Royal Bank of Scotland branch. We then made a decision to include Melrose. Melrose is also a last bank in town. It isn't as far as nine miles to the next nearest branch, but we included it because of the concentration of closures in the Borders and it is fairly accessible. Then we included Kyle. That was the last of the 10, and we included Kyle for a different reason. Kyle houses our mobile van. We have now found a new home for that mobile van, but at the time we had not decided where the home was going to be for the mobile van and we decided to keep that as we changed the routes to make sure it settles down well for our customers. Those are the criteria we chose.

Les Matheson: If I could then pick up on the review and going forward, we have been in discussions with a number of possible independent reviewers. We are still working that through, but we are talking to them about their recommendations and thinking in terms of criteria, but broadly it will not be dissimilar to what we have talked about before; the number of transactions, new accounts, maybe, that are opened, new business that might be done in that branch, whether it is loans, savings, other products, those sorts of things.

Q193 **Ross Thomson:** I am grateful for the clarification about the criteria for the different branches. Would there not be merit in the argument that, given that these branches have been given the opportunity to prove that they can be sustainable, that could have been opened up to all of the branches to have done exactly the same thing?

Les Matheson: As you can imagine, the breadth of what we are doing is significant and involves lots of people. Redoing all of that is quite challenging. What we did was listen to this Committee and to other comments and suggestions, particularly from customers. The concerns that people had in particular, which some of you have mentioned today, was the distance to get to another branch. That is why that was the primary basis for us choosing those additional ones.

Q194 **Ross Thomson:** Something else I need some clarity on regarding the announcement you made in February was that, prior to you doing it, it was pre-empted by another Member of Parliament. You said you had been engaging with elected Members, and that was Ian Blackford, who claimed that a deal was imminent and that he played that critical role in it. Was that intervention helpful?

Les Matheson: From my perspective, because we had conversations, I think all of the interventions and discussions we have had with MPs and all of you have been helpful, but no one was more helpful than another. There was no particular aspect that was arranged with any one individual.

Q195 **Ross Thomson:** Did that intervention before your announcement make it more difficult to progress with some of the other negotiations we have had about bank closures?

Les Matheson: I would say that it is always challenging when you have lots and lots of different interested parties and I know all of you will be extremely familiar with that. It is always difficult for us trying to, first, think about and listen carefully to what our customers are saying, but then all of the other people who have a particular interest. We have produced what we think is the best option right now.

Ross McEwan: To add to that, it is why it was quite important to have some criteria, which Ms Howard has outlined. Otherwise you can look all over the place, so it really was around the last branch in town and the distance, and two other minor features, one where there were a lot of closures and the other one where we were moving a van, so that is why we put that one into the review as well.

Q196 **Ross Thomson:** What I am trying to pin down is that Mr Blackford was quite clear in the Scottish press that he had saved bank branches, given them a stay of execution and it saved some of them. In fact, he was quoted in *The National* on 4 February as having bypassed the Prime Minister to talk directly to the RBS chiefs, who I presume are the chiefs sitting in front of us. Can you tell me exactly what kind of interaction you had with him, or is that just showboating on his part?

Ross McEwan: I will leave those conversations for you to have with him. As I said, we have picked up the criteria that we think were the most relevant, that a number of Members have said to us that we should reconsider and that is why we looked at those criteria and came up with those 10. It could have been quite rightly eight or 12, but it came down to the 10 mainly around the last branch in town and the distance.

Q197 **Ross Thomson:** Out of interest, it has been reported in the Scottish press, for example in *The Scottish Sun* that a number of RBS employees were quite unhappy with what was perceived as an unhelpful intervention. Have any representations been made to you by staff about what they quote as, "It is more complicated than saying, 'Look at me. I saved some branches'"?

Ross McEwan: I did have conversation with two of our local CEOs three weeks ago now, on the phone, just to get their feel for how they were handling it from a personal perspective, how the staff were, but also what was the customer reaction. The feedback was that, within the first three weeks of the notification of closure, there were a lot of customer interactions. As the Committee said, there was a lot of anger at the time and it is part of the process of going through a major change like this. It had settled down after the three weeks and then, when we opened up the 10 branches, it started again. Customers said, "What about my branch? Why not me?" so we accept that as part of the process. Our people did an amazing job of talking with our customers about the services being provided to them going forward and where they could go for those services and so on.

Yes, you are right; there was a level of uncertainty. That died away and then came back again and, can I say, has died away again? I think we did the right thing. My view is that we have done the right thing. It is always interesting looking back in hindsight. We will do the review on the 10 branches. I was more concerned for our colleagues because a number of them had been asked if they wanted to go for another job, if they wanted voluntary redundancy. They had made a decision and then all of a sudden we said, "Look, you will have to stay on for another six months." For them it was quite unsettling, but they understood that and our people are very good people and I think will look after our customers.

Q198 **Ross Thomson:** Lastly, it is understandable that many see this as just a stay of execution for those branches and at the end they will close and those communities will be back in the same position. In your opening remarks you talked about the evidence being stark in relation to why the bank has taken its decisions. In evidence to this Committee that we had from "Which?", which is independent and impartial, they noted that the bank branch closures would disproportionately impact on vulnerable consumers, those in rural areas, those without access to good broadband and those on lower incomes. I would appreciate your response to that and what reassurance you can give to people in those communities, where those bank branches have that stay of execution and that you will take all that into account and look at improving their services.

Ross McEwan: If it is all right with you, Chair, we will pick up on some of those points around vulnerable people. It is very important for some of those who have disabilities and some of those who are older and struggle with change. If we pick up on that point, it is a very good one, because we have taken a lot of notice of those customers and how we deal with those. I will get Ms Howard to take you through some of the changes and some of the things we have put in place. Some of the things were already there, but there were other things we have also added. It is important that those are known to the Committee because it may be helpful for other changes that go on, and not just for us but for other organisations as well.

Jane Howard: In terms of disabled customers—I know this is a big issue—we do take our responsibilities under the 2010 Equality Act very seriously. We also take our responsibilities in terms of the Equality and Human Rights Commission seriously. Mostly, we care deeply about our customers, whether they are or are not disabled. We work with all forms of disability. The one that seems to come up the most is about physical disability, but we all know that there are far more cohorts of disability than that.

I have brought—and we will get you all a copy of these—some devices that we have developed and designed with customers who have various disabilities, with our own colleagues who have disabilities and also with the relevant support groups, whether that is the Royal National Institute of Blind People and so on. We designed them with colleagues, customers and these groups because they know best how they can make banking work for them. The feedback we have had from all the different groups indicates that, with regard to technology, they see it as a bad thing when they talk about vulnerable customers, but for many of these disabled customers it has transformed their lives. They are now able to bank in a way that they could not before.

The mobile phone—I am sure you are all aware of this—if you go on to "General" and "Accessible" you see all the devices available with various disabilities, whether it is hearing or whatever, that the mobile phone companies have enabled. We have worked with them and our customers designed things. So, for example—you are probably aware of this—for our customers who have sight challenges, we have designed with them a card that is in Braille, it has a piece cut out, which is what they wanted so that they know which way up the card is. We have designed with them a Braille wallet with the information that they wanted to have to hand when they are out and about. For our customers who have—

Chair: Ms Howard, I know they are wonderful products and we really want to examine them properly. Maybe at the end of the session, if the members of the Committee want to do that, you could helpfully run through it with them. We do not have much time and we have lots and lots of questions that we really need to ask about the bank closure programme. Thank you ever so much for bringing them in to the Committee today. I am sure that members will want to study them and examine them.

Q199 **Ged Killen:** Returning to the criteria for the 10 branches that have been offered a stay of execution, as was alluded to, various members of this Committee were approached by RBS executives following the last hearing. Various different proposals were made. At one stage I believe 13 branches were mentioned, on the understanding that there would be no need for a further appearance before this Committee, particularly by Mr McEwan. That seems to me to be rather like horse trading. Is it not the case that this decision was more about removing political pressure temporarily and that these branches were always going to close and will still close?

Les Matheson: Jane and I were here at the Committee and we have listened to the Committee and, as you say, we have talked to all members of the Committee and we have picked out the things that it seems to us, from a customer perspective and having listening to you, are most critical. That generally was those branches that were a long way from other ones, as you were talking about earlier. That is the basis upon which we decided to do the review.

Q200 **Ged Killen:** I was in Inveraray at the weekend. Inveraray bank is open between 10 am and 4 pm Monday to Friday and closes for lunch. Is this a peak period you are expecting that bank to be able to cover under those conditions before December so that it might have a chance of staying open?

Les Matheson: We will be happy to talk to you about any individual branch separately. We will be able to write to you about the specifics or come and talk to you at the branch if you would like. As I said, at the moment the criteria that we are looking at are the volume of transactions, the accounts that are open, that are present and new ones that are opened, new volume, but we will also be talking to those independent advisers to get any other thoughts and suggestions they have.

Q201 **Ged Killen:** Very briefly, Chair, on that, can you define for us what a transaction is? We have had difficulty individually as Members of Parliament in trying to get that information from RBS. I know we will come on to this in a bit more detail, but what constitutes a transaction? If I am an elderly customer and I go into your bank and ask you to do something in the branch that could have otherwise been done online, will you count that as a transaction?

Jane Howard: Yes, following the meeting, I am happy to send you the definition of a transaction, but essentially it is cash in. It could be cash out. It could be mixed cheques. It could be somebody doing a transfer, or it could be somebody doing bill payments. It is the everyday banking things that people do. We count it very precisely because we use the keystrokes that are conducted on the systems.

Q202 **Ged Killen:** RBS customers only, or customers of other banks?

Jane Howard: We include non-customers—customers of other banks—when we calculate the transactions.

Chair: That is the first time we have had that spelled out to us. I know there have been a number of requests about what a transaction means, so if you could help the Committee by writing to us with that clear definition of what a "transaction" is, it will help us to assess what is happening in the 10 branches that have been reprieved.

Q203 **Christine Jardine:** We have heard a lot about the branches that you say have been given an extension. What we would like to know is: what targets will they have to meet and will the targets be made public, so that the customers are aware of how they are being judged?

Les Matheson: We have not finalised them yet, but when we do we will be happy to share that with the Committee.

Q204 **Christine Jardine:** What I am concerned about are the customers in the area. Will you be communicating with them? Will you be making it known publicly what the targets will be?

Les Matheson: Yes, we will.

Ross McEwan: Certainly with our own staff in those branches we will be making it very clear.

Q205 **Christine Jardine:** What support will you be offering in the meantime to those branches to help them meet the targets?

Ross McEwan: We will be making sure that the staffing levels are maintained. Even though some staff may leave, we will make sure that we have the appropriate people in those branches looking after those branches and customers.

Q206 **Christine Jardine:** To return to a point that was made earlier, if you don't mind, a lot has been said about the post office network and the use of the Post Office network and how this is going to be guaranteed. You have also made a number of offers to meet us at the headquarters or at various branches. I would be concerned to have a meeting with you, Mr McEwan, to discuss the post office and the idea of the hubs. That is a genuine proposal that we would like to discuss with the bank. Would it be possible to have a meeting about that issue specifically?

Ross McEwan: Can I suggest that you meet with the people who are dealing with it every day, as opposed to me, as I do not deal with it every day and do not know the detail? You are better off dealing with Ms Howard on that topic, because she would be the right one and she understands how it operates and we could get a technical person to show the technology piece as well, which is quite important. We would be very happy for the team to meet, but I don't think I am the appropriate one to have that conversation with.

Q207 **Christine Jardine:** One last thing. While they are being judged and reassessed over this extension period will all the services remain in place at those banks? There will be no diminution of service that people would regard as making it more difficult for them to meet the targets?

Ross McEwan: That is right.

Les Matheson: There will be no diminution.

Q208 **Hugh Gaffney:** On this basis of supporting the banks and the staff, what performance targets have been set for bank branch staff to compare branch costs to internet banking? I am hearing from staff that they put a lot of pressure on staff to sell apps for internet banking. That, in a sense, would be the staff selling their jobs.

Jane Howard: We talked about this earlier when we said we do not have targets and we removed incentives. I expect our colleagues in the branches to talk to customers about all the ways to bank, and that includes digital.

Q209 **Hugh Gaffney:** So you have put the staff under pressure to sell their own jobs?

Ross McEwan: No, the staff have a job to do. We do pay them to do a job, which is to look after customers, and part of that job is to show them other ways of banking that they may well benefit from. That is what they do across the entire network. That is part of their job, so I am not walking away from the fact that we ask them to have those conversations with customers because a lot of our customers love what we show them how to do. It is more than just the banking app that we are able to show them, particularly with our tech experts; it is about how they stay connected in this very digital world?

That does not matter whether it is using their phone or getting a phone and we show them how to use it. How do they have a Skype call with the grandkids? How do they keep the conversations going in a world that is becoming much more digital? Part of that also is about how they interact with the bank without having to come to the bank itself, so I do not walk away from that at all. That is part of the job we ask them to do.

Jane Howard: May I build on that slightly? As well as all the cash transactions, we offer all our customers a financial health check. We asked our colleagues to talk to our customers about what is most important to them, and we cover that under five main areas: how do we help customers to borrow money; how do we help them to save money; how do we help them if they want to invest; how do we make sure they are protected; and how do we make sure that their banking is easy and simple? Helping them with digital ways to bank comes under the final one. We do expect our colleagues to help our customers with all five of those things, but it is always about what is most important to the customer.

Q210 **Hugh Gaffney:** As a business, how do we cut the overheads? We cut the overheads by offering apps for people to do online banking and we can close the building.

Ross McEwan: One of the interesting things is that our most loved channel is our mobile app. Six years ago it did not exist. Today it is the most used way of interacting with us. Customers have changed. They are used to now dealing with their mobile phone as the device most loved. A lot of people feel naked without the thing in their pocket. That is just a reality. We are reacting to that; we are staying very connected with the way people have changed. I personally have been astounded at how quickly that has changed over time. Six years ago the mobile app did not even exist. Today it is the most used.

Les Matheson: Again, for people who find that difficult or who do not want to use that we do have a number of alternatives, not least the mobile vans that are visiting more than 440 communities.

Ross McEwan: The other thing that I do not think we have chatted about at all, when I was in our contact centre about three months ago in Scotland and we had a lady ring in and our colleague spoke to her about the mobile and she said, "I just don't want to know about it. I don't want to know about it." She said it three times. Our staff member said, "That's fine. You can keep ringing me." That is what people do. They ring us. They pop in and see us. They use the mobile app. They use the online or they go to an ATM. They go to use EFTPOS in all sorts of places now. Cash for our business customers is dropping off as more and more of them are using devices. We are seeing big shifts. We have to make sure that we stay relevant in that world for this bank as well. It can be difficult.

Q211 **Hugh Gaffney:** Last question. Empty buildings. Are you going to give them back to communities as a business prospect?

Ross McEwan: Thank you for that. We have offered these buildings back.

Les Matheson: In general, if I may, the first thing that we try to do is make sure that we offer them to another business, if there is another business that wants to open up. We think that is the best thing for the local community, if there is somebody else there. If there isn't, then we are prepared to give the building to the local community, so long as they want it and they have some sort of a plan to be able to maintain and use the building.

Chair: Two quick supplementaries, because we are now approaching that period of this session.

Q212 **David Duguid:** A very quick question. You mentioned that the mobile app is—to use your expression—the "most loved" service. Was that information gathered by an online survey by any chance, or how do you know?

Ross McEwan: There are several ways, but we do a survey of our customers on all of our channels and also across the product, so we get it from there. It is also rated as the best banking mobile app independently by the people who run the app stores, and it has been for the last two years. Both our customers show us what they think about it but also from the app store usage as well, and how people feel about it.

Q213 **John Lamont:** I want to go back to the point that Mr Gaffney made to Mr Matheson about communities buying or being able to acquire their buildings. How many of the branches that are being shut do you own and how many are leased? If they are leased, they are being handed back to landlords?

Jane Howard: Forty-eight are freehold and we did write to the Committee, and what we have said is that where there is no demand and, as Les said, where we can work with the development trust and the community with a three-year viable business plan, then we will transfer the ownership at the end.

Q214 **John Lamont:** The community purchase is only an option when there is no other buyer?

Jane Howard: When there is no demand. If there is another business that wants to move in there, then that has to be great for the community.

Ross McEwan: As an example of that, if I may, Mr Chair, I was at one of the branches that were in closure, part of the 10. Interest had been expressed by one of the local businesses to move in and expand on that site, because they felt it was a better site than the one they had, and their site would be taken over by another business as well. Those things we are very open to work with the local community on as well, because it is better having a vibrant business in that branch than it is to have it empty.

Q215 **Ged Killen:** Can you confirm that it is only those branches that have achieved sustainable transactional increase and viable new income whose closure will be reconsidered by an independent reviewer?

Les Matheson: I can confirm that the 10 branches that we have been talking about are the ones that will be reviewed by an independent reviewer.

Q216 **Ged Killen:** All 10 branches will be reviewed?

Les Matheson: All 10, yes.

Q217 **Ged Killen:** Who decides at what stage? Is it the independent reviewer who decides whether they are still viable? How is that decision made?

Les Matheson: We are still working through the exact details. In the end, like any commercial business, we will have the final say, but we will be paying a lot of attention to the independent reviewer.

Q218 **Hugh Gaffney:** I have a follow-up question. You say that you are still working on it. How is this process going to work on these 10 banks? How are you going to judge or review them differently from the situation just now?

Les Matheson: When I have the details of that, which I expect we will have this month, I will share them with the Committee.

Q219 **Hugh Gaffney:** The company you had in line I believe is unable to do it now. Have you looked at someone else?

Les Matheson: We have looked at a number of other possibilities but we have not finalised as yet.

Q220 **Hugh Gaffney:** Therefore, will there be an extension to the six-month rule until you find somebody? If you don't find somebody in the next two months it might go beyond the end of 2018.

Ross McEwan: Les, maybe you could talk through the timeframes that you are looking to work towards.

Les Matheson: Yes. We are confident that we will have somebody and be able to be clear about that by the end of this month. The review that we are thinking of will take place between June and August through this year.

Q221 **Chair:** Could I suggest that you better get a move on? It is almost June already and you do not have an external reviewer. What happened to the one you had in mind?

Les Matheson: That is not something that I would like to comment on.

Q222 **Chair:** But you can satisfy this Committee that there will be an external reviewer in place in June?

Les Matheson: Yes.

Ross McEwan: It is important that we get the appropriate person who has the skills.

Q223 **Chair:** What sort of skills would this external reviewer require and what sort of experience would you like to see?

Les Matheson: We have been looking for a combination of things. One is people who have a real understanding of local communities, of local, physical capabilities, but we have also been looking at organisations that are used to doing reviews and doing forms of audit.

Q224 **Chair:** Could you give us an idea of what sort of organisation you have in mind to do this? It seems to be very specialised.

Les Matheson: I would like to come back to the Committee, if I may.

Q225 **Chair:** You must have some idea about the type of organisation you would like to do the review.

Ross McEwan: Mr Chair, it is about the skills of the individual.

Q226 **Chair:** You are not helping us much here in terms of trying to see what can be done.

Ross McEwan: They need to know about this form of distribution. They also need to know about community—

Q227 **Chair:** Do you know why we are asking this? Because there is a real sense, certainly among the banks that are categorised as having this reprieve, that they are being set up to fail. I am interested in something in your reply to Mr Gaffney where you said you would be paying a lot of attention to the external reviewer, so even if the external reviewer was to come back and say, "We believe that they have satisfied our criteria on transactions," you would then take a further decision about that?

Ross McEwan: Mr Matheson, and I do not want to put words into his mouth, he can put them in himself—

Q228 **Chair:** I wrote it down. It is exactly what he said.

Les Matheson: That is fine.

Ross McEwan: We will absolutely seriously take the review comments. My view is that if they come back and say, for example, all 10 should stay open, we will leave all 10 open. If they come back and say, "These three because of should," we will take that recommendation.

Q229 **Chair:** How many of these 10 do you anticipate to be open beyond the new year?

Ross McEwan: I would like to see the review and I will wait and see that before I comment on it.

Q230 **Chair:** Is there any prospect whatsoever that other branches will be added to that review?

Ross McEwan: No, not from the ones that have already been signed to close. We are reviewing the 10.

Q231 **David Duguid:** Since your last appearance before the Committee, what further assessment have you made of the adequacy of alternative methods of banking, such as online and mobile, in meeting customer needs, and what changes have you made in response to any feedback you have received?

Ross McEwan: The things we have been looking at, since Mr Matheson and Ms Howard attended last time, have been whether the distribution forms that we had in place are adequate, and whether we should have connected more strongly with some issues. For example, we have looked at the mobile vans and how they operate. Members have raised the question about the time they stop, and those sorts of things, but also about whether they are fit for purpose today. They have been running for 72 years. There have been lots of changes in that time. We have tried lots of different things. There are some things around there that we are reviewing at the moment from a positive perspective, so it is about what will make a customer feel better about that.

We have also made sure that our staff are connecting in with the post office, so that connection is really vital. When I was out with the team the other day, we picked up a point around dealing with schools and their cash needs and we picked up on that. We dealt with some of the charities that maybe needed a mobile device of sorts that they could collect cash with, as opposed to the coin going into the box type of thing. Those things since this Committee met, and some of the questions that were raised here, we have certainly been looking at some of those areas as well. It has not been so much around the mobile and the online. They have a path of development and it was really around the more physical pieces for the customers in the communities in Scotland that we were closing branches in.

Q232 **David Duguid:** A question that came up that I think I asked at the previous session was: how do you measure the availability of broadband access to branch users? I think the impression we received last time is that it was measured at the location of the branch. Of course many of these high street banks serve a catchment area of rural areas much wider than that. Is that taken into consideration?

Jane Howard: We have invested in wi-fi in those branches that remain and customers are welcome to come in there and use their device, or we can help them as well. As I said earlier, seven out of 10 customers in Scotland do already use the mobile bank or they are registered for online banking. But I absolutely take the point that was made by another Committee member that that is often not in the rural areas, in part because some of our customers do not want to, and could not, use online or mobile. That is why we have 2,000 physical points of presence.

Q233 **David Duguid:** You do recognise the fact that in many rural areas that may be served by a high street bank—in a small farming town, for example—outside of that farming town they do not have the broadband signal, they do not have the connections?

Jane Howard: Yes.

Q234 **David Duguid:** You would be looking to have them served by the mobile van or the post office.

Ross McEwan: Or the post office or the phone is the other way that many people like to be served as well.

Jane Howard: They have the options that they have today, instead of the branch. If they are doing the physical cash obviously then that would be in the post office or the mobile bank. We are going to invest in all of those ways to bank. As wi-fi coverage improves, they will have further choices on top of what they have today. We did make a commitment that we would work with a partner and look for some communities where we could try some things with BT, and that work is actively underway.

Q235 **David Duguid:** Do you have anything to report back from that? Is there any form of improvement on that?

Jane Howard: Yes. We have been working with BT. We have identified some hotspots. We have also thought about how we can enhance the service in a small number of communities. That work is underway and we would expect by mid-June to be able to start to put things in place.

Q236 **Danielle Rowley:** I want to look at how the mobile van service performance is being measured. I am worried; I have two branches closing in Midlothian and I have been reassured by your colleagues that we will have the mobile van and everything will be fine, but then I look to Fyfe, for example, where branches have closed, the mobile van has been in and is now being reduced. There was a period when the use of the van was monitored. Was this during the extreme weather and snow that we had?

Les Matheson: No. As I said in our meeting the last time, we are investing in the mobile vans and we are going to be getting to more communities with our mobile vans than ever before. We will be in more than 440 communities. Every month we review the transactions that are going through the mobile vans and, if we find that a particular area has more or less customers, then we will adjust the amount of time that the van is staying there. We perfectly understand that during the bad weather you might have had people banking in other ways, and so we will take account of that as we are going along.

Ross McEwan: Les, you were out last week with the van as well, and one was probably at its maximum number of customers in the time that was allocated. That would get the review on the monthly basis. It had quite a number of people lining up to use the van. Yet other sites it might be that nobody turns up. If they do not turn up week after week, there is no point in us having that; we are better off putting that time into the stop where the customers are.

Les Matheson: Online we update the times that the mobile vans are going to stop. If people want us to stop somewhere, whether it is a local councillor, an MP or an individual customer, we are happy to listen and talk to them about that. We would be happy to talk about those two specifically.

Q237 **Danielle Rowley:** You can see it is worrying that communities are being reassured but they are looking to other communities where this reassurance has already been taken away.

Ross McEwan: That is a fair concern but, if you look at what we have done even in the last month or two, we have added more stops than we have taken away because, where they are not being used, there is no point in having a van. That is not done on one week with nobody there; it needs to be on a running pattern, so we will modify accordingly, and that is the commitment we make.

We have had vans for 72 years. We were the first to put the vans out there. From the feedback we were getting, they are loved in their communities and it would be a real shame to have them come away. We do not plan to do that, but we need to alter the usage of those vans based around people usage.

Q238 **Danielle Rowley:** Are they being well advertised when and where they will be?

Jane Howard: Yes, they are, but we can do more on that, and that is feedback that we have had. Similar to the comment that was made about branches, it is important that our website is very clear, and that is an action we have underway. We have also made sure that it is available on our mobile app. We have a My Locator app in there that tells people where branches are. It will also say where the mobile stops are and, of course, it is advertised in our branches.

Q239 **Danielle Rowley:** The FSB has criticised the new timetable for mobile branches, saying it will be spread very thinly. How do you respond to that? Do you not think you should be putting on more vans in more areas to make up for closures?

Les Matheson: We are going to a lot more communities, as I said. That, in the end, is what is important. They would be happy if it was just one van, as long as they come to their community. What is important is that we get to the communities. I am surprised to hear that criticism because, as I say, we are going to more. If we only have two or three customers then we will stop for not as long a time, and if we have more customers there then we will work out how to re-route those mobile vans and spend longer.

Q240 **Danielle Rowley:** Finally, could you tell me how many vans you have just now, and how much they cost?

Jane Howard: We have 21 vans that are actively out all the time in Scotland and four that are HGV; they have to be checked, so they are there for backup and also to support. We do have the capacity, if the need arises, to reduce the number of vans that we have as what we call spares, and put more out. What is important, as Les is saying, is the number of stops, and we constantly monitor how much time is needed.

Q241 **John Lamont:** Mr Matheson, at the last session before the Committee you assured us that RBS would be increasing the number of mobile vans, and that has been the reassurance you have given me in correspondence that I have had with you about the service you are providing in the Scottish borders. What do you have to say to the residents in Coldstream, Paxton, Allanton, Foulden, Chirnside, Ayton, Letham, Swinton, Lauder and Saint Boswells who, as of last week, lost their mobile banking facility?

Les Matheson: As I said in my follow-up letter to the Committee and to you, what we are doing is increasing the number of communities that we are visiting. If we are visiting a community and nobody is there, then we will take it away. For those particular stops, we will be happy to follow up with you personally and just go through each of them and understand what the issue is.

Q242 **John Lamont:** Is it fair to say, despite your warm words this morning and words of reassurance to keep us all content, the reality on the ground is very different and much harsher for those communities and residents who are losing not only a bank branch, but their mobile banking services? You come to this Committee and say one thing and do the complete opposite in the communities that we represent.

Les Matheson: That is not the case at all.

Ross McEwan: Can I just pick up on that point, because people do need some clarity around that? We have more stops now than, I understand, when we came to the Committee last time. As Ms Howard said, we have the same number of vans—21—and we have some backup vans, but we are getting to more communities. We need to be clear where people are not using the facility that that needs to change so that we can put it where it needs to be. There have been a much greater number of sites that are opening up for stops as opposed to those being cut.

We also get to some sites for a very short period of time, say for 10 minutes, where it is an individual or a business customer who needs specific help, and we have made arrangements for them. It is a very flexible arrangement we have here with these mobile vans.

We have had them for 72 years, and they have wandered around serving communities very well, just as we have a couple of boat stops and five plane stops. We are serving these communities really well, but it does need to change based on the customer usage. I cannot have stops where there is nobody there for a long period of time. It is a complete waste of time and money, and we are better off somewhere else.

Q243 **John Lamont:** A disabled resident came to one of the Borders meetings I had that the bank refused to attend. She described very clearly that she was disabled and she had to do her banking transactions in the pouring rain in a car park because she could not access the mobile van.

Ross McEwan: We need to pick up on that customer and just make sure we are looking after her needs in this case. We will get one of our community bankers around to have that conversation. If you could give us her name and we will get our community banker to make contact.

Q244 **John Lamont:** You can understand why she would be dissuaded from using that service and may have moved to another bank.

Jane Howard: You have my personal apology that we have not picked that up. If you let me have the person's details—I think you said it was a lady—then we will happily pick up with her and talk to her about the alternatives.

Ross McEwan: With the vans themselves, there are many different arrangements we have made with customers. Even with a disability, some like to get into the van and some don't, so we go and serve them outside the van. Some want to be served in quite different ways, and we try to match up to that as much as we possibly can. When you look through the statistics of how we deal with customers, it is a really good service.

Q245 **John Lamont:** We have talked about access and alternative services, but for many of these communities there are no alternatives.

Jane Howard: What is right for that individual customer? As Ross just said, there are some customers who might not be in a wheelchair but who have some challenges physically, and they want to come on to the bank for assistance. We have just introduced a new system, called the Halo system, where they can let us know that they are on the way and we can come down off the bank, if that is what they want, and we can help them.

There are some who want to be served in the car or on their mobility scooter. We have eight where we do a home visit because they cannot get out of the home. We have stops, such as the Howard Doris Community Care Home, where we stop for the residents there, and we are working with other councillors to say, "If you have either an elderly care home or later living"—that is what they seem to be called in some places—"we will happily adjust the stops to meet those sorts of customers." They are the ones who really need our help.

The other point we made earlier, when the mobile bank started 72 years ago, and even more recently, we did not have the post office as an alternative. We are letting customers on the mobile bank know that that is one more choice that they have.

Q246 **Chair:** To follow up from Mr Lamont's question: I do not think it is a case of individuals, because we were also alerted to issues in Ayrshire about your fleet that is operating there. We had Members of the Scottish Parliament saying that they wanted this raised with you. There was a particular difficulty with disabled people being able to access your mobile bank facility. Could I suggest—we will not go into it again because you have obviously answered Mr Lamont—this does seem to be a feature which is an issue with a number of your banks? I take you at your word that you will try to address this and be sure this is going to be looked into.

Ross McEwan: Yes. If there are individual cases, we would like to hear about them so that we can. With the range of options that we have, there is no other bank doing any of this.

Q247 **Chair:** We can encourage colleagues to take it up with Ms Howard then if there is a problem or an issue about access. Thank you.

Ross McEwan: We would appreciate that.

Jane Howard: Absolutely.

Q248 **Deidre Brock:** A quick question: we have heard some concerns over the personal security of customers using the mobile vans. What assurances can you give us about that?

Jane Howard: I have not heard that feedback from any customers. What I would say, in terms of the mobile bank, we do have people who are skilled in security. I do not want to discuss that publicly—I am sure you can understand the reasons why—but it is regularly checked, and our colleagues are trained to a security standard.

Q249 **Paul Masterton:** Thanks, Chair. I am grateful to be following up on that. What percentage of your mobile vans is wheelchair-accessible?

Jane Howard: None. Perhaps I can just explain what we have done there. In 2014 we did have tailgate access for customers with wheelchairs, and the feedback was that they did not like them and they were not used. We took them off some of the mobile banks. A further review was done in 2015. We examined the earlier decision and we also got further feedback from customers and colleagues who are on the mobile van, and we had the same feedback: customers did not like them.

The van that we have today that we use is a heavy goods vehicle so, even though we think it is relatively small, it counts as an HGV. There is not a manufacturer of a tailgate lift access that can even design a protocol that would work with our mobile bank.

One thing I should say to the Committee is that the Post Office also does have a mobile bank—it only makes less than 70 stops—and that does have wheelchair access, if customers would prefer that as an option where it stops.

Les Matheson: As Jane said, we fitted these things to 13 vans and customers did not really like using them; they much preferred us to come and talk to them, either in their house or somewhere else. They quite like it when we go to their house.

Q250 **Paul Masterton:** I wanted to move away from the mobile vans on to the community bankers and try to get more clarity about what they can and cannot do. Can community bankers carry cash?

Jane Howard: No.

Q251 **Paul Masterton:** Can they carry out transactions?

Jane Howard: No.

Q252 **Paul Masterton:** Can they provide advice to people on services and products?

Jane Howard: Yes. If you think about the service that we have today, the vast majority of customers who come into our branches are coming in for cash-type transactions. Also, it is very important that we are there to help customers with other services: people who might want advice or help on taking out a loan, an overdraft, insurance, or whatever it is that they want to discuss. That is the role of the community banker. In addition, though, they are there to do fraud and scam awareness training in the communities, and money sense training, so that we teach financial education to people. Their role is very much picking up the advice part that you would get in a branch, and it is complemented by the 2,000 physical points of presence that will deal with cash.

Q253 **Paul Masterton:** That is quite helpful. People will have to go to two different places in order to get access to their banking services. If they want advice, they will go to their community banker, if they still want to do physical transactions, they will have to travel to a post office?

Les Matheson: People use different ways of accessing the bank all the time. They use four, five or six. We have so many additional services that people can use—probably like you maybe do—whether it is online, mobile, walking into a branch, going into a post office; people are using a whole variety of different ways of accessing the bank.

Ross McEwan: There are some other things that have changed quite dramatically over the last 10 years as well. One is the advice process that you have to give and go through for customers on certain products, which is dramatically different from what it was 10 years ago. For a mortgage, it is an advice process that can take up to two hours, where customers want the advice. That was never done in a branch. If you go into some of these branches there may have been only six mortgages that were done in the last year, but they would have been done through a mortgage advisor who came into the community to do that, or on the phone with a qualified mortgage advisor. Those processes are always a double situation, as you are describing there. That has not changed for quite some time.

Jane Howard: I was out with a community banker just recently and was talking to some customers who were using that service, and, when I listened to what they were saying, when people get cash, it tends to be a regular thing that they do on a regular basis, so they have more of a routine. When you are talking about the community banker service that is more for their one-off things that they want to do, it is quite different, really.

Les Matheson: I would say that this is a significant additional service that we are adding, and the sort of things that these individuals will also do is help to give talks on fraud, for example, in a local community, or wherever the community might want them. I attended one last week, where they were giving a talk to, it so happened, quite a lot of older people, and just talking about scams and how to avoid them. That is the sort of thing that they will also do.

Jane Howard: We have had excellent feedback on the role.

Q254 **David Duguid:** A very quick one on community bankers, so I should get a quick answer: how soon in advance of the bank's closure is the community banker making him or herself available to customers?

Jane Howard: What we are trying to do is to get them there in advance so that before the branch closes people can be introduced. As I said earlier, we have done 600 interviews now with community bankers with different customers, so we try to get them in place before the branch closes so that customers can get used to the person.

Les Matheson: One of the things that we are doing is, if one of our colleagues in the branch that is closing wants to become a community banker, then we will give some of those that role. That often is somebody who is then known in the community who will know the local area and will know some of our customers. That is the first thing that we will try to do.

Q255 **Deidre Brock:** There was some evidence submitted to the Committee by Unite the union suggesting that Wales has been 20 to 25 community bankers. RBS has now been persuaded to increase the number of community bankers for Scotland from seven to 21, but obviously Wales has a much smaller geographical area and a little over half the population of Scotland. What plans are there for increasing those numbers in the future?

Jane Howard: The role of the community banker is new; we started it last year. I suspect we will have more community bankers right across the UK, because the feedback we are getting on the role is so positive. We have looked at what we need for Scotland and 21 enables us to cover the communities where there will not be a branch. It is very different from Wales; if you look at the number of branches per head, there are far fewer branches in Wales than we have in Scotland. When you look at the totality of the ways to bank, if I look at what we have in Scotland, there is something for everybody.

Chair: Thank you. We have only a few questions left for you, if you can bear with us.

Q256 **Christine Jardine:** My question also relates back to the last time you came before the Committee. We asked whether the closures that we are seeing at the moment would be the last for the foreseeable future. You said then there were no plans for future closures in Scotland, and you mentioned this morning that there was no plan for another review until 2020. I want to check that this is still the case, and that we are not looking at the prospect of further closures, particularly rural closures, in the intervening years.

Ross McEwan: As I said in my opening statement, branches are a core part of our offering. We have 94 branches in Scotland, after the closure programme here, and we will not be reviewing that until 2020—you have our commitment on that. We need to give our colleagues, our customers and the communities a chance to assimilate the changes, but also to get going and go forward with business in a changed way. That was my statement this morning.

Q257 **Christine Jardine:** Can I just check: did those 94 branches include the ones that are under review?

Ross McEwan: No, they do not.

Les Matheson: No, they do not. There are 89: five that are under the NatWest brand and then there are an additional 10. The 94 is 89 and five from NatWest, and there are an additional 10 that are under review.

Obviously the 10 are under review, but that 94 is what we are saying. As I said last time, we do not have further plans to close but, as Mr McEwan says, we are not going to review them again until 2020.

Q258 **Christine Jardine:** One last thing: I had a constituent who expressed concern about NatWest and that, while we are talking about RBS, there might be closures in NatWest, in Scotland and in the rest of the UK. Do the assurances cover NatWest as well?

Ross McEwan: No. We have the commitment in Scotland around the 94. We have to look at our branch structures across England and Wales, given what was going to become Williams & Glyn. You saw the announcements that we made last week about a closure programme there. That is a quite different situation. There was a commitment to divest that has been changed. We do have to ask 120,000 of our SME customers to go somewhere else, which means we do not require the branch network as it is today. It has not been changed in nearly 10 years, because of the European requirement that we had signed off. That branch is under review now.

Something significant that has changed as well over the last 12 months is that a Royal Bank of Scotland customer can now go into a NatWest branch and be served, and vice versa, where the systems never interacted in that way. If you were a Royal Bank of Scotland customer you stayed in a Royal Bank of Scotland branch because you could not be served in a NatWest branch. That is quite different today. That is why, in the programme that we put forward last week, about 109 branches are within 0.6 of a mile, or 1 kilometre, from a NatWest, so they can get service there.

Les Matheson: These are the Williams & Glyn branches.

Ross McEwan: We still have to work through the size and shape of that branch network in England and Wales. As I said, we are very comfortable with the size and shape of the Scottish branch network.

Les Matheson: To your specific question on Scotland, we are not planning on changing NatWest in Scotland.

Q259 **Christine Jardine:** You mentioned 2022. You just also mentioned European banking regulations and protections. Is there a significance to 2022?

Ross McEwan: No, 2020, I thought I had mentioned. No.

Q260 **Christine Jardine:** Sorry, 2020. There is no significance to that date? I was just curious.

Ross McEwan: No. Whenever you make a large change you want to embed; you want to make sure that your customers and colleagues get certainty, as well as the communities, that we will be there. That is why we have said through to 2020 we will not be doing any more reviews.

Q261 **Christine Jardine:** You cannot make a commitment further than two years ahead.

Ross McEwan: If I look back on six years and I made predications that my branch network was going to be about—

Chair: In terms of predications in banking.

Ross McEwan: Yes, that is what I was going to do.

Q262 **Tommy Sheppard:** The project that is being headed up by Mark Bailie, which is looking at the development of an in-house internet challenger bank, can you say whether or not that development might be used in the future as a rationale for further branch closures?

Ross McEwan: We are doing quite a few things, as all of our shareholders and also our customers would wish us to do, around innovative activity and what services we provide to customers in different ways going forward. As a bank, we are investing money in that. I do not see it having a major impact on the changes we are talking about here, but who knows what the future looks like. We are spending a lot of money on just what the bank should look like going forward for our customers. You are seeing many other banks doing other innovative things, and this bank needs to start thinking about those. I have allowed the team to invest some money over the next couple of years for the future of this bank as well. It does not have a relationship with what we are talking about today, particularly the 94 branches in Scotland.

Q263 **Tommy Sheppard:** You would not see that as a factor in reducing in the future—

Ross McEwan: No, I would not. What I would hope it would do is that a number of the threads that go through the innovative changes we are looking at would flow positively into our customer base and the services that get provided to them. I would certainly hope that was the case. We have now gone into an environment of open banking. We need to make sure that the Royal Bank of Scotland, NatWest and Ulster Bank also find opportunities in there for our customers, and that would be part of the innovative approach we are looking at.

Q264 **John Lamont:** Thank you, Chair. I want to return to the 162 closures you announced last week in England and Wales and to check what assessment you made of Scottish customers, who maybe are using those branches if they are based in the Borders, or indeed Dumfries and Galloway, and how these closures are going to impact on them.

Jane Howard: There was one branch in Carlisle that I believe is used quite regularly. We have a NatWest in Carlisle; it is 0.1 miles from one of the Royal Bank branches and 0.8 of a mile from the other one. I cannot remember if it was Ross or Les, but somebody alluded earlier to the fact that our customers from Royal Bank can now use a NatWest branch, and vice versa, because of the systems being able to be used. We did look at that situation and we are very confident that there will be a great service for those customers in Carlisle.

Q265 **John Lamont:** You have done an assessment. That is reporting back on the factual position, but how many customers in the Scottish Borders and Dumfries and Galloway use banking services in the north of England, which are now being shut?

Jane Howard: I will come to you separately with some further detail. What I can absolutely say is that we looked at Carlisle, because that is the main one, and we are confident that the customers will get a great service; in some respects better, because the Carlisle branch is being invested in.

Q266 **Chair:** Thank you. Is this the last word, then? Last time, when Mr Matheson and Ms Howard were here, you came back to us and the 10 banks had been reprieved. Is there any prospect of having another look at this again, given all the things that you have heard and the anger and disappointment there is in these communities?

Ross McEwan: Mr Chairman, there have been a number of points that the Committee have raised last time and today. Last time we showed that there were points around the mobile van and the access points, and there were a number of those issues raised around the training and development with the Post Office that we have picked up on as well.

We are reshaping this bank, and our view was to do so in a way where we gave lots of other alternative services to our customers. Yes, we are closing a number of branches, and they will go ahead. We will seriously review the 10; it is not an olive branch we are putting up, but we do need to push this organisation forward as customer behaviour is changing quite dramatically; much faster than I would have anticipated.

Q267 **Chair:** What we are hearing then is that there is not going to be an opportunity for the branches to be reprieved or to have another examination to look at it. That is it, according to—

Ross McEwan: No, I do not think so. That is it. Correct.

Q268 **Chair:** You do know that will sound very crushing to a number of communities in Scotland?

Ross McEwan: I understand that and, as I said at the start about the process of change, it is very hard. We have to make those changes, but we are also putting in place 2,000 places where people can go face to face, with their cash, backwards and forwards, with this organisation. We are putting in place more and more facilitation than has ever been in place for this bank in its long and great history, but it needs to move forward as well, and with as many of our customers as we possibly can.

Chair: Thank you. I know we have detained you for a little longer than we said we would but thank you, Mr McEwan, for coming along today and answering our questions.

Examination of witnesses

Witnesses: David Pickering and Liz Thompson.

Q269 **Chair:** Thank you, and sorry to keep you; you will understand that we had the CEO of RBS to answer some of our questions. Thank you for your patience, and we will try to get through this as quickly as possible. Could you state, just for the record, who you are, what you do and anything by way of a short introductory statement, Mr Pickering?

David Pickering: Good morning, everyone, and good morning Mr Chairman and honourable ladies and gentlemen. Thank you very much for inviting the Lending Standards Board along to the Committee this morning.

To give you a brief bit of introduction, I am the chief executive of the Lending Standards Board. To my right here I have Ms Thompson, who is our head of compliance. The Lending Standards Board itself is a self-regulatory body operating in financial services, and we provide independent oversight over voluntary standards. These are standards that the industry itself has signed up to.

With regard to our key areas, we have standards of lending practice for personal and business borrowers. Since last August we have picked up responsibility for independent oversight of the Access to Banking Standard, which is the one we are presumably going to discuss this morning. That standard itself picks up what a bank should do in terms of how it should deal with its customers once the decision has been made by the bank to close a branch.

Q270 **Chair:** In terms of your background and where you come from, could you talk a little bit about your structure, how you are funded and what sort of expertise you bring to the table on the issue of bank closures?

David Pickering: Certainly. The Lending Standards Board itself is an organisation that has been in existence now for about 18 years. It started off as the Banking Codes Standards Board and became the Lending Standards Board in 2009, responsible at the time for consumer credit and personal finance. In terms of the makeup of the organisation, we have a broad church of people drawn from the industry—banking, regulators and various bodies—all of whom have been involved in retail banking. That cuts across not just consumer credit, but other products and services. I have had some experience before with branch closure programmes in my former life before I joined the Lending Standards Board.

In terms of experience within the organisation, most people have had several years' experience within the banking industry and they have joined the Lending Standards Board to undertake the role that they do with us.

Q271 **Chair:** In terms of structure, who do you account to?

David Pickering: To answer your question on funding, it is true to say we are funded by our registered firms, so the banks we oversee are our source of funds. We have banks, credit card companies, and some debt purchase and debt collection agencies. There is a mix of firms—36 in total—that are registered with us, of which about nine are signed up to the Access to Banking Standard.

We and our board operate independently, and the board itself is made up of a number of independent directors with an independent chair. We have moved from what was loosely called a sponsorship model, through the likes of the trade bodies, to a fully independent board, but we have always had a majority of independent directors on the board who hold us to account for the work we do.

Q272 **Chair:** You took over last year from the Access to Banking Standard, is that right? In what ways has the operation of what happens changed since then?

David Pickering: Previously we had the Access to Banking Protocol and then there was an independent review, which Professor Russel Griggs oversaw, and then we moved to the Access to Banking Standard. That came into force last year and we picked up the oversight.

Previous to that there was no independent oversight of the protocol; there is now independent oversight of the standard, and that is picked up through us. We had support in terms of how that came about: HM Treasury was very keen to have an independent overseer of the standard and we were seen as the obvious natural home for that.

Q273 **Ross Thomson:** Can you outline the processes that the LSB follows when it is informed by a bank that it intends to close one or more of its branches?

David Pickering: Certainly, Mr Thomson.

Liz Thompson: The process we have in place is that once a firm is going to announce some closures, it lets us know which branches that impacts. Following that announcement, there are a number of different ways we can oversee the standard. The first pieces of work we have done recently with a lot of the closures that have happened have been on a retrospective basis. Because our responsibility for oversight began in August last year—and I was going out and visiting those firms—a lot of the branch closure programmes were already in train. We took the view that we could look at what had been done in relation to how firms have been meeting the standard, because there was a crossover period during that time from the old protocol to the standard.

We looked back at what sort of information they had given to the customers. The standard itself is very much around the communication with the customers so they understand what has happened, why the decision has been taken, what the impact is to them, what their alternatives are for banking, what is going to be left behind and so on, once the branch is closed. Our role is ensuring that information is passed down to the customers appropriately.

Q274 **Ross Thomson:** In doing that, how do you assess the quality of the information that is being provided to you by the bank? How can you scrutinise that and challenge that? What work do you do to also look at the engagement work that the bank is undertaking? How effective, or in fact genuine, is that, given that we have had real concern expressed that the consultation conducted by RBS was just a showcase; that the decision had been made and this was just done as part of an exercise rather than any meaningful consultation?

Liz Thompson: It is important to say that we do not get involved in any aspect around the decision to close a branch; our role is post that decision. Any of the work that we do will be very much focused on what the standard requires. There will not be a situation where we would go back and say to the firm, "You should not have closed that branch." I think that is our role. What we will do, though, as part of the actual processes, is ask for information from the various firms on what they have done, what information they have taken in, what data they have used to make that decision. We will then ask for copies of customer letters, customer communications, and the impact assessment document. All of that information will be taken upfront for us to be able to do a review of the actual documentation.

We will then go out and spend some time with the firm on site, talking to management, understanding the governance they have in place, the controls and so on, and how they ensure that this information is passed out to the communities.

Q275 **Ross Thomson:** Can you require that of them? For their compliance, can you require them to provide you with the data, the information, the letters, and the things you mentioned?

Liz Thompson: We can ask for all of that information upfront, yes. As part of the review process, that would be one of the things that we would need to do, was look at the actual letters, what information is in there, does it fit with what our understanding is of how the closure programme works, what level of detail they are providing to the customers.

David Pickering: All our registered firms sign up to our rules of engagement, which enables us to have access to information to discharge our responsibilities.

Q276 **Ross Thomson:** What teeth do you have if they choose not to?

David Pickering: Because we are a voluntary body, there are enforcement powers within the rules, and those stop short of imposing fines, but those powers were really set up for the existing regime that we have. We monitor and oversee the Standards of London Practice, which, prior to August, was our core work. Our enforcement powers were very much set up with that in mind. In terms of the standard we have now, the key is that if we feel an organisation has committed what we would refer to as a material breach of the standard, then that is when our enforcement powers can kick in.

What we aim to do in the way we operate—and we have been successful at this—is that we work very much to put proactive measures in place, so that we do not get to a point further down the line where there is some sort of severe material breach that materialises. If it does not materialise, we can go through that process. We have powers over things like public censure, for example, or deregistration.

Q277 **Paul Masterton:** Good morning. Could you explain a little bit how the Lending Standards Board has been involved in assessing RBS's performance against the Access to Banking Standard and, perhaps more bluntly, what your assessment is of RBS's compliance with it?

Liz Thompson: The process we have undertaken was very much around obtaining information from them on what they have issued out to their customers, and understanding how that fits with what the standard requires. Part of the oversight process that we have in place is that we report individually back to each firm, and the information within that report that is sent to that firm is between us and that firm. We do not publicly report on what we have found.

That said, what we will be doing at the end of this process is issuing a summary report. As you would be aware, there have been a number of organisations that have closed branches recently, and we have been out to visit all of those various firms to understand how they are meeting the standard. A summary report will be issued on that basis, that will be anonymised, and that will pick up any of the good or bad practice within the industry that we have identified.

Q278 **Paul Masterton:** One of the things that has been touched on slightly, and one of the real frustrations that I have had, and it is not just RBS—I do not have any RBS branches closing in my constituency under this framework, but I do have Santander branches going—is the fact that this is often presented as a consultation but it is not; it is an announcement of a decision. It is very clear that there is no consultation process at all between banks and their customers. Is that a situation you are happy with, or it is just the communication of the decision that you are interested in?

David Pickering: It is fair to say that at the moment, as Ms Thompson said, we are looking at post decision. We will look at the engagement with the local community post decision. It is probably still early days, as we picked up this oversight in August. We have just had a look back on the first set of closures for a number of organisations. We are in the throes at the minute of the ones that have been recently announced, to undertake the oversight with those.

The way it is working with those is that, because we have this more proactive approach, we are able to undertake the oversight as those closures go along. If we identify some areas where an organisation is falling short, we can step in and something can happen before the actual closure takes place.

What we have tended to find in the past with the way our oversight works is that, once we have a body of evidence together, then that will help to inform us as to how effective the overall process is. There will be a look-back at some stage in the future, probably once we have done this next tranche of closures and we have had a look, and we will be able to see what we have learnt from the whole process as well for improvements.

Q279 **John Lamont:** It has probably been dealt with, but are you going to publish any sort of assessment as to whether RBS has complied with all the conditions of the standard?

Liz Thompson: Not specifically related to RBS. We do not publish specifically to naming of firms as to what our findings are with that firm. As I say, there will be a summary report that will give an overall industry view—likely to be out probably by the end of May or the beginning of June—which will go on to our website and be made public, and that will cover all firms that we have recently reviewed.

Q280 **John Lamont:** It will be very general?

Liz Thompson: Yes. It will pick up on where we have found areas of good practice and areas where we felt improvements are necessary, but it will not state who they are related to. Any findings that we have, firms will receive their own detailed report of any improvements that we expect them to make.

David Pickering: On this point—and I think it is relevant—we do work quite strongly with each of the firms, so when we produce a report at the end of it, we do not let them off the hook at that point. What we are really keen to do is, if we identify something that is not working, we demand that a proper action plan is put in place, and we do track that. We make sure that we do hold that firm—

Q281 **John Lamont:** Is the action plan made public?

David Pickering: No. Again it is done confidentially with the firm. The summary report that will come out, when you said it is quite general you will be able to pick out specific themes from that report. We will pick out specifics in there and there will be comments such as, "This is working well," or "Improvements need to be made." In the summary report you will get a good flavour for how the Access to Banking Standard is operating in practice.

Q282 **John Lamont:** Given the anger and the concern about the current round of closures from RBS, do you think that response is going to meet the expectations of our constituents and businesses who are relying on you to take a stand against this?

David Pickering: I would say that it is a very fine balance. My experience of working with the LSB and the work that we have done and previous works with the old lending code—and there is now with the Standards of Lending Practice—we have found quite significant findings before with organisations. It has worked well with those banks with the confidential relationship that we have with them, and we make sure that those improvements are made and dealt with and turned around.

It is not in the public domain and it is part of the success of what we have done and how we have operated. In my view, it has worked well not to name and shame, unless there was a material breach. If there was a material breach that would be different.

Q283 **Chair:** May I suggest that you are going to be very busy? That is 62 branches in Scotland that are going to be closed, and then last week they announced closures of 162 branches of Williams & Glyn. Are you properly resourced and are you going to be able to take care of all of this?

Liz Thompson: It is probably worth pointing out that we will not individually review every single branch that is closing. We will take the data. Obviously, with the branches in Scotland, we will be working very closely with RBS to understand how that is happening. Any of the findings that have come out of any of the retrospective reviews as well we will be working very closely with those firms to make sure that, if there is anything that needs improving for this ongoing round of closures, it is put into place in a timely manner to make sure that those customers—

Q284 **Chair:** Just on what you said there, just before you come in, Mr Pickering, you said that not all of these will be reviewed and will be subject to an investigation or study by your organisation. What would qualify for that type of investigation and what ones would be left alone?

Liz Thompson: Because of the way that we work, we will look at the process that the bank undertakes once that decision has been made to close, how they are communicating with the customers, what that communication looks like and what is included in those letters, in those documentations and so on. Obviously we do not get involved in the decision-making part.

Therefore, because of the number of closures the banks are putting in place, they have fixed processes that they basically apply the same across those branches because it is about the communication piece post closure. The only bits that will change from branch to branch will be things about the information that they have used to make that decision, the left-behinds, the nearest local branch, the nearest post office and so on. It is things like that that we will try to ensure that that sort of information is in there. We will not physically be going out to visit every single branch or anything like that, to understand how the closure is impacting because basically we do not have the resource to hit every single branch.

David Pickering: But we do sample check.

Liz Thompson: We sample check and we do it on a risk basis. The other part of this that is worth mentioning as well for those 10 branches that are being reviewed at the moment is that we will work very closely with RBS to understand how that independent review is working.

Q285 **Chair:** Should you be the reviewer for that? Has RBS approached you to review?

David Pickering: My personal view is that I don't think it would be a good fit for us because we have this stand-back view of the whole programme. You will get more value out of us sitting back and understanding that programme. It will be good for RBS to go down their route of getting their independent review.

Q286 **Chair:** You probably heard me questioning Mr McEwan about who was qualified and who has the skillset to do this review. It strikes me that you guys seem to know this business reasonably well and, if not you, then who?

David Pickering: I do think it would possibly compromise the effectiveness of our role.

Q287 **Chair:** Who else has the skillset and qualifications and experience to do a review like this?

David Pickering: I would have thought that there would be somebody out there.

Q288 **Chair:** This is our worry, you see. They are doing this review and, even after today, we are no clearer about who is going to be doing it. How is it going to be undertaken? Who has the necessary skills and experience to do this? You guys obviously have, so you must know the business. You must have an idea, an impression, of who would be able to fill in.

Liz Thompson: We do but for us to retain our level of independence on this, because we do not get involved in the commercial decision side of it, for us to be the independent reviewer on whether or not those branches should close because ultimately there will be some sort of commercial decision in there. There has to be if they are looking at the number of products sold and so on, and that type of thing, the commercials, for those branches for them to remain viable. That starts to cut across into what our role is in this process. That is probably why it lets us sit outside of that.

Q289 **Deirdre Brock:** Having read about LSB, and listening to you now, I have to say it seems to me that LSB's role is that of shutting the stable door after the horse has bolted. In your answer to Mr Thomson, you touched on the actions that you can take if a bank fails to comply with a standard. Could you set those out for us first please?

David Pickering: What would typically happen is that we will go in and do a piece of work. For example, we will go into RBS. We will undertake the review. We will identify what our assessment is and, for argument's sake, identify three or four findings. We would sit down with the senior management team at RBS and agree those findings and what actions are going to be taken off the back of those findings.

We will agree the action plan. The action plan needs to be timely, specific and we need to make sure at the time that we consider it will meet the issue that we have identified. That is the first thing. I would say the vast majority of reporting that we do would fall into that category. If we think it gets more serious than that, which I think is what you are aiming at—

Deirdre Brock: Exactly, yes.

David Pickering: Given the nature of the standard itself, when you read it, it is quite straightforward. What we would consider a material breach would be that we would raise a number of findings and the bank turns around to us and says, "We are not going to do any of this." We would then consider that a material breach and then we would raise that through. We would then invoke the material breach process. Probably the ultimate sanction within that is public censure, so that would then get out into the public domain, which would be evidence of the bank not complying at all with the standard.

Q290 **Deirdre Brock:** Given the amount of terrible publicity that RBS has received, for example over these bank closures, do you think that that sort of public sanction is sufficient?

David Pickering: Picking up on that point, I would say—and I take your point about the sanctions and the enforcement point—it is probably true of many different aspects of banking these days, not just branch closures. Obviously I cannot go into detail with the Committee, for reasons of commercial confidentiality. We have a number of instances where we have gone into organisations and we have made some very significant progress with the banks by getting in there, behind the scenes, working with them, undertaking our independent review work and working to identify issues and flagging issues. One thing we do find—and it is true pretty much of our registered firms, because we go through a fair old process with them—is that by and large they are pretty responsive to what we say. We are treated with a lot of respect, which is why we were given the role of overseeing this Access to Banking Standard, because the industry does listen to what we say.

I do think, while there is the argument of closing the door after the horse has bolted—and I take the point about the fact that closure decisions have already been made—we are very proactive with them and make sure that we flag issues, and they do tend to listen. I think they see us very much as a critical friend.

Q291 **Deirdre Brock:** Can I just ask, though, the ultimate sanction in your armoury is the cancellation or suspension of the registered firm's registration?

David Pickering: We would do that, yes.

Q292 **Deirdre Brock:** How many have undergone that?

David Pickering: We have never had to invoke that, and that could be looked at as an organisation that has maybe not done its job. I think that is a sign that we have done our job, to be honest. The other thing I would say on that is deregistering a firm from the standard is not necessarily the best route to go down in practice, because in effect you are saying to the bank, "You sit outside of the regime now," whereas we would sooner have them in than out.

Q293 **Deirdre Brock:** But the banks are voluntary members of the organisation, aren't they?

David Pickering: They are voluntary.

Q294 **Deirdre Brock:** Do you think it fills them with fear that they might be outside the body's oversight?

David Pickering: My experience is that our firms welcome what we do and take it very seriously. If we go into any of these organisations, I know that we raise issues. However serious they are, they get treated very quickly and expeditiously.

Q295 **Deirdre Brock:** What are your thoughts on the possibility of banks being fined for major instances of non-compliance?

David Pickering: It is something we have never done. We would struggle anyway because, in terms of a voluntary body, a not-for-profit body, imposing fines would not be a route that we would want to go down.

Q296 **Deirdre Brock:** Could you be given the power to fine your members?

David Pickering: Probably not.

Q297 **Deirdre Brock:** That would require statutory regulation?

David Pickering: It would require statutory regulation, yes.

Liz Thompson: Yes. For me, a lot of the way we work is about getting actions put in place, so if we find that something is wrong, making sure that they put it right is more important.

Q298 **Deirdre Brock:** You are getting actions put in place for the next round of bank closures?

Liz Thompson: Yes. In all of our work and all of the reviews that we do with the firms, if we found that there are issues, it is more important to us because obviously, ultimately, most of these issues have an impact from a customer perspective and a lot of the work that we do is we are looking at the customer outcomes here. For us, making sure the banks fix what is not working particularly well for customers is the important part; to make sure that the customers get what they want.

I understand and I agree with you that the horse has bolted, but again, if there are any elements where they are not meeting the standards and we feel that what they could do could be done better so that the customers gets better information, it is important that we ensure that they do that.

David Pickering: Yes, absolutely. It is about making sure that we pick up on the customer points. The closures we are looking at now are ones that are in train, as opposed to the ones where we are looking back on, so it does give us an opportunity. If there is any customer impact we can address that with the bank as we go along so at least, while we cannot stop the banks from closing, what we can do is make sure that the customers get as good a deal as possible, in terms of signposting to alternative means of banking and, where vulnerable customers are involved, for example, making sure that they are being treated in the right way.

Q299 **Deirdre Brock:** Very quickly, we have discussed the geographical considerations of Scotland at length in this Committee. Is that something that you would be taking into account in terms of how they have approached their branch closures?

David Pickering: We would look at a number of risk factors. We would not limit what we did based on geography, so we would go anywhere. We would go to Northern Ireland. We go to Scotland. Wherever we think our resources—

Q300 **Deirdre Brock:** No, I mean the sheer distance that people have to travel.

David Pickering: In terms of sheer distance, that would feature. We are obviously quite focused on some of the Scottish issues at the moment. Clearly, the very fact that we are having this meeting today and the profile that the branch closures have heightens our risk factors as well, in terms of where we would prioritise our work.

Q301 **Hugh Gaffney:** Given what we were talking about, do you think you are a toothless organisation? There is no control over the banks. The banks are pretty happy to have you as a critical friend because it ticks a box.

David Pickering: I can see why you would have that view.

Q302 **Hugh Gaffney:** There is no control over the banks. There is so many to look at, as a Government, as to how you would control the banks.

David Pickering: Our regime in the past, and now with the Access to Banking, I think is effective. It is effective because we are listened to when firms sign up to these standards, they do look at them. They deal with us as if we are a regulatory body, so they will look at us very much in that light. They prepare for the visits that we undertake in much the same way as they would, for example, for the FCA, and they are very keen to ensure that what they do meets the standards that they voluntarily signed up to.

One of the powers of voluntary self-regulation is the fact that these are organisations that have volunteered to say, "This is a standard we want to hold ourselves to account to," so I think from that perspective the regime is very effective.

Q303 **Hugh Gaffney:** There is no stopping the closures?

David Pickering: No.

Liz Thompson: No.

Q304 **Chair:** What is the relationship you have with the FCA?

David Pickering: We have a very strong relationship with the FCA. We meet up on a fairly regular basis. There is a small part of our work that is delegated down from the FCA.

Q305 **Chair:** Do you not envy the statutory powers that I has?

David Pickering: We do not have the statutory powers, no. We do work quite closely with the FCA and understand how we can complement the work that they do and use our mutual intelligence that we have from the work that we undertake.

Q306 **David Duguid:** The Access to Banking Standard currently requires banks to produce an impact assessment when a closure is announced. Just for clarity, in the case of RBS announcing that it is closing 62 banks, is that one overall impact assessment or does it have to do an impact assessment for each individual branch?

Liz Thompson: The requirements of the standard are that an impact assessment is produced and published, and that it contains information relating to that branch closure. What the firms will likely do is produce one template document. That should have information that is relevant to the branch that is closing—where the nearest post office is, where the nearest other alternative bank is and so on.

Q307 **David Duguid:** Clearly, as part of that impact assessment, the impact on customers has to be taken into account. If a bank has not consulted its customers before the stage of announcing a closure, how can the banks make such an assessment?

Liz Thompson: The way that the banks have looked at the way that the impact assessments have been designed, is the impact is being looked at from the point of view of how far the customers are going to have to travel to the nearest branch. Therefore, it is the impact on their ability to continue to do their banking, and that is the information that should feed in there.

Q308 **David Duguid:** They are making lots of assumptions, presumably, and may be taking into account the catchment area of a bank and where the customers might be located, but they are not talking to customers in advance of making a decision on a closure?

Liz Thompson: That would not be something that we would look at as to be declared as part of that impact assessment.

Q309 **David Duguid:** Sorry, you would look at whether or not they had consulted customers before—

Liz Thompson: No. We would look at the information that is in there to make sure that it relates to that branch, and it contains the information that we expect to see in there around—

Q310 **David Duguid:** You would not be open to the idea of, for example, changing the guidance such that a consultation with customers takes place before an announcement of closure is decided?

David Pickering: That is the sort of point around the standard itself. Where we are at, at the moment, is that when that standard came into force it was subject to independent review from Professor Russel Griggs. That was the standard that the banks agreed to sign up to, and at the moment what we are doing is making sure that that standard is being applied by the banks. To my earlier point about the body of evidence, if at some point the industry wants to review the standard in terms of whether there is a more effective way to operate the standard, that is probably something for some sort of future review.

Q311 **David Duguid:** It would be the industry that basically does that?

David Pickering: The view that we would have is that if we had some good evidence from the work that we undertook—I don't think we are in a position to say that at the moment to be honest. We have literally just done the look-back; we are currently in this round of go-forwards reviews. It would be a bit previous of us to make a comment on that at the moment.

Q312 **Chair:** There is an exception, including commercially confidential information in these assessments. Do you get sight of that commercially confidential information?

Liz Thompson: We get quite a bit of data from the firms. The data that is completely commercially sensitive we don't always have a view on. We will get other information that comes in around transaction levels and that sort of thing within the branches, the number of customers registered at specific branches and so on, but anything that is commercially sensitive that is likely to be held back from—

Q313 **Chair:** Is it not just very convenient for banks to label it "commercially confidential" and get around your examination and investigation of it?

Liz Thompson: The relationship that we have with the firms is that, if we feel that we are not being given the whole picture and that we are unable to do our job in reviewing the information that is in these documents, we feel that things are being held back, we will ask for that, and if they are then reluctant to give us that we will question their reasons why.

David Pickering: Most firms see that in order for us to do our job effectively they need to give us as much information as they possibly can.

Q314 **Chair:** Have you ever stopped a bank closure?

David Pickering: No.

Liz Thompson: We don't have the power to do that.

Q315 **Chair:** Have you ever recommended to anybody that a bank closure should not take place?

Liz Thompson: No.

Q316 **Chair:** Have you ever suggested privately to any of the banks that are upholding these programmes that they should not proceed?

Liz Thompson: No. Our role is very much about how they have applied the standard, rather than the decision that is made on that branch closure. It is post decision, so what are they doing to—

Q317 **Chair:** Given that this is such a controversial issue with communities, do you not feel that we need a body—like what you are doing; obviously, you are doing very important work, which this Committee recognises—that has enhanced powers that could come in, where there is an issue with bank closures, and make decisions and make real recommendations to the banks that are closing these branches?

David Pickering: While we do very much look at the standard itself, we do look at the broader picture. In terms of when we report, for example, we funnel it down in the end. The report that the bank will get will be very much in line with, "This is what the standard basically is expecting and these are the findings and issues that we have come up with." As part of that filtering process, we do talk about the broader issues around the branch closure programme, understanding the rationale for it, for example, and the selection process. We will have that broad discussion at every bank anyway. We are a challenging organisation, so we will ask the questions. At the moment—as my colleague here says—we have not been in the position where we have recommended that we don't close.

Chair: With the shuffling of the papers that you could detect, we are at the end of this session, but can we thank you for your contribution today? If there is anything further you could help this Committee with, any outstanding questions that perhaps were not answered, please get back in touch. Thank you coming along this afternoon, as it is now.