

Treasury Committee

Oral evidence: Consumers' access to financial services, HC 1642

Tuesday 5 February 2019

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[Watch the meeting](#)

Members present: Nicky Morgan (Chair); Rushanara Ali; Colin Clark; Charlie Elphicke; Alison McGovern; Catherine McKinnell; Wes Streeting.

Questions 168-256

Witnesses

I: Tom Blomfield, Founder and Chief Executive, Monzo Bank; Robin Bulloch, Managing Director, Lloyds Bank and Bank of Scotland Community Banks; Martin Kearsley, Banking Director, Post Office.

Written evidence from witnesses:

– [Lloyds Banking Group](#), [Post Office](#)

Examination of witnesses

Witnesses: Tom Blomfield, Robin Bulloch and Martin Kearsley.

Q168 **Chair:** Good morning. Thank you very much indeed to our panel of witnesses for being here for the next stage of our inquiry into consumers' access to financial services. I am going to ask you all to introduce yourselves briefly. It is not just for the audience here; there are people who watch online or watch the evidence session back. Particularly for this inquiry, there are people with different needs of accessibility as well, so we are being mindful of that. Mr Blomfield, we will start with you.

Tom Blomfield: My name is Tom Blomfield. I am the CEO of Monzo. We are a new smartphone-based challenger bank offering current accounts in the UK.

Robin Bulloch: I am Robin Bulloch. I am the managing director for Lloyds Bank and Bank of Scotland community banks, running the retail networks for those two brands.

Martin Kearsley: I am Martin Kearsley. I am the banking director for the Post Office. I look after three areas of our business: everything to do with cash in and cash out through our network of 11,500 branches, our ATM estate and our government services for benefit payments out to recipients.

Q169 **Chair:** I have a series of questions and then my colleagues will come in. I want to start with the branch network issues. It will not surprise you to hear we have heard quite a lot of evidence about branch closures as well. I am very interested to hear about the Lloyds community banking system. Let me start there, actually, Mr Bulloch, and the written evidence you have given, which talks about a closure review process involving a "comprehensive physical visit to ... assess access to banking". Perhaps you can explain a bit more of the process that you go through when deciding whether a branch should be closed or not.

Robin Bulloch: Thank you for giving me the opportunity to speak at the Committee. To explain the process up to the point of making a decision, I would suggest that it forms three core parts. The first element is a local review, which has local management, local directors and regional directors in discussion with our central team around the branches in a locale. They are discussing the overall provision of service to our customers, and part of those discussions are observations from local management about branches that, in their opinion, are seeing a fall in traffic or a reduction in footfall, or just generally have lower usage.

Those particular branches in those discussions are then reviewed by a central team. They look at a large range of data, in fact over 100 pieces of data, which I will happily expand on in a second. The important element and piece you referred to is the expert team visiting that location



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to see the use of the branch and the alternatives in the event of that branch being closed. That includes evaluating transport links to the next-nearest branch. It includes assessing the availability of the Post Office and its services. It includes the provision of ATMs in the locale and, in rural locations, we evaluate whether a mobile branch would be a suitable alternative in the event of a branch closure. That is the detailed analysis in the location.

We also look at large swathes of data such as, as you would expect, transaction volumes, footfall, the number of elderly customers, the number of vulnerable customers, personal customers using the branch and business customers using the branch. At that point, we take decisions around whether those branches should remain open, if it is very clear they should remain open, or we take the decision that, in our opinion, it is acceptable to close that branch because of the available alternatives.

The final part, as you would expect, is that a senior executive team, including myself, takes formal decisions around branch closures. On some occasions, we decide that it is not appropriate to close a branch.

Q170 Chair: Just picking up on that, how often do you decide that it is not appropriate? I do not know if you will be able to give us a percentage figure or rough numbers.

Robin Bulloch: I am not sure if I can give you a frequency number but, in that middle stage when we are evaluating a number of branches for closure, I can certainly think of examples when we have said, "No, that's not appropriate", because we may not consider the alternatives to be viable, or we may consider that the proportion of vulnerable or elderly customers is high. I would be happy to give the Committee specifics on that but confidentially, because I would not wish the public to know about branches we have reviewed and then taken the decision to leave them open. I acknowledge it is a small number. I believe the detailed analysis that we do ensures that we make the right decisions.

Q171 Chair: Anything you can share with the Committee would be very helpful. You mentioned the number of transactions before. Is there a threshold for transactions per branch over a week or a monthly period, or the number of customers walking into a branch? If things consistently fall below a certain threshold, does that sound an alarm to look at this branch's viability?

Robin Bulloch: There are no de minimis or de maximis requirements. We look at all the information holistically. As I said already, we start with the local view that they are seeing a reduction. We seek to validate that through all of the information that we pull together. You would expect, and it is true, that the branches that we tend to close are those where we are seeing less usage than we would see on average, but there is not an algorithm to determine that this branch closes and this branch stays open.



There are branches where we see a reduction of traffic in branches. There are two key elements. There is what we call urban overlap, where locations have a clear alternative in reasonable proximity, and then these rural locations, where there is reduced usage and demand. As I have said already, on many occasions we have brought in mobile branches as an alternative.

Q172 **Chair:** In looking at the alternatives, in your written evidence to us, one of the questions was about whether bank branch closure led to increased financial exclusion and you said, "We do not believe that a bank branch closure in itself necessarily increases financial exclusion where other banking facilities exist or customers are already using alternative channels". You have mentioned the Post Office and we are going to come on to talk to Mr Kearsley, but is it the case that—not just Lloyds, because you are here as a representative of other banks as well today—where banks make a decision to close branches, in a way they are relying on others to take up the slack, such as post offices, or relying on customers to find alternative ways to get to branches? Actually, you are making assumptions that people will just find a way around it. Are the workarounds you suggest actually increasing financial exclusion?

Robin Bulloch: The process I explained is the process of taking decisions around closures. I should explain what happens next. Clearly, we advise colleagues. We give colleagues 24 hours' notice and then we advise our customers. We write to all our customers of that branch. We actually write to all the customers who are not necessarily domiciled at that branch, but we know to be regular users of that branch. We put up notifications in the branch to advise of the closure. When we are bringing in a mobile branch, we advise of that provision.

Really, our strategy within Lloyds Banking Group is a response to what is happening in society. We believe in and endeavour to provide multi-channel support to our customers. Over 80% of our customers use more than one channel. Many customers use our telephone service and many customers are using our digital services, including mobile branches. Looking at vulnerable customers in particular, we work with our local branch colleagues in the period after notifying of closure to ask them to engage with the customers who they know are regular users of the branch. Those colleagues will discuss with customers using telephone banking and the Post Office. They will avail them of information around free-to-use ATMs, so we take as many measures as we deem reasonable to ensure that the customers who are most likely to be affected by that branch closure are able to find alternative services.

We believe we take these decisions very carefully and in a very measured way. The industry overall has shut about 30% of its branches and Lloyds Banking Group has shut about 23% in the same period. We have made a public commitment to maintain 21% of the branch network in the UK. Lloyds Banking Group and I recognise that these are difficult decisions,



but we take a number of steps to mitigate them and we believe we take a very careful and measured approach.

Q173 **Chair:** Can you unpack that 21% figure for me? Is it 21% of the existing branch network?

Robin Bulloch: We recognise our importance to the UK as a whole and have committed to maintain a minimum of 21% of the available branch network in the UK.

Q174 **Chair:** Finally, before I turn to other witnesses, what happens to customer behaviour when you close a branch? Do people tend to stay loyal to Lloyds or move to other banks?

Robin Bulloch: They tend to stay loyal. We like to think that the alternatives that we provide, such as the mobile branch and other provisions, demonstrate our ongoing commitment to support these customers. The number of customers who leave us as a result of a branch closure is minimal.

Q175 **Chair:** Mr Blomfield, perhaps I can turn to you. Obviously Monzo has never has a branch network and is online only. Does that mean that you have fewer older and more vulnerable customers? How does your customer demographic break down?

Tom Blomfield: It is correct that our customers skew to much younger age ranges, so approximately 80% of our customers are under 40, for example. The majority are even under 30, so we certainly skew younger. We see vulnerability but in different ways. For example, we probably see a much lower frequency of things like dementia and Alzheimer's, but other kinds of vulnerability—mental health problems, gambling problems or what-have-you. We have a dedicated team. It is probably different, but not necessarily less.

Q176 **Chair:** We are going to come on specifically to ask about things like blocking gambling and everything else. How does your service cater for those who are visually impaired?

Tom Blomfield: We work very hard to make sure that our mobile apps are accessible to as many as possible. In particular, we work with what are called voice-over APIs—effectively audio readers—so people with visual impairments can still access the service. We also have a phone channel, so you can phone up and speak to someone as well. We have a dedicated vulnerable customers team, which is able to work with customers with different kinds of vulnerability.

Q177 **Chair:** Do people tend to tell you about a vulnerability when they are opening an account? Obviously you are new, so everyone has had to open an account with Monzo recently, whereas, for something like Lloyds, they have potentially had an account for many years and perhaps the vulnerability has developed. It is only since 2015, is it not, that people have opened accounts?



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Tom Blomfield: That is right, and current accounts only in the last 18 months or so.

Q178 **Chair:** Do you find that people tend to say upfront, "Look, this is the issue"?

Tom Blomfield: No, in general they do not. They tend to tell us when we are not meeting their needs, but we are proud of the extents to which we go to cater for vulnerable customers. When we do not meet that bar, people are quick to tell us, but then we are able to react quite quickly. We do not necessarily have a list of every vulnerable customer with us.

Q179 **Chair:** Before I hand over to Charlie, Mr Kearsley, I will just come to you. We just talked about when bank branches close. If they are the last branch in town, often people will then be physically reliant on the Post Office, so perhaps you can talk to us about Post Office branch closures. As the Government still own the Post Office, is it fair to say that the Government are effectively subsidising banks as they are closing their branches, because they are having to put more money into the Post Office, which is picking up that slack?

Martin Kearsley: To address your first point, "post office closures" is an often-quoted phrase. We have had the most stable network in our history over the last 10 or 12 years. Since 2008-09, we have had around 11,500 branches. That number varies by 40 or 50 through each year, as we see resignations, people retiring, new branches opened and so forth. We have maintained a thoroughly robust network throughout that period.

There are challenges on every high street, as we all know and as we see in the news every day, so we are actively pursuing ways in which we can stay in every high street that we are currently in, which includes moving some of our sites from what you might have known as Crown—now directly managed—branches into franchise partners. That model has worked successfully over the past few years to ensure that we can stay in every community we are in. Our commitment is that, as opposed to staying in city centres and major population areas, we establish ourselves in provincial sites, market towns and rural areas, and it is our intent to stay. We have no plans, campaigns or activities to close post offices.

Moving on to your second point, about the cross-subsidy, if you like, we recognise that we all have to work in commercially viable times, and the Post Office is no different. We are actively pursuing a profitable strategy to become sustainable without recourse to the public purse. That journey has paid dividends over the past few years and we are now a profitable entity. We are working with our partners, all the banks included, to make sure that what they pay for the service that their customers use in our sites is sustainable for us in the long term. We are going through renegotiation with all of the banks, Robin and many colleagues, at present, to look at how we can take that on to the next stage in the coming couple of years.



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Q180 **Charlie Elphicke:** Good morning. What financial services does the Post Office provide directly?

Martin Kearsley: Directly we provide no financial services as a Post Office product. What we provide are third-party products in partnership.

Q181 **Charlie Elphicke:** Why do you not do it yourself?

Martin Kearsley: We are not a regulated or licensed entity to do so.

Q182 **Charlie Elphicke:** You have a huge sprawling networks. Banks are closing to the left of you; banks are closing to the right of you. Why do you not sweep in and Hoover up what should be an exciting massive business proposition by having a Post Office bank?

Martin Kearsley: It is already an exciting and huge business proposition for us. We are delighted and proud to support the banking industry and all their customers, not so much so a bank can then close a branch, but because we focus on the communities that we serve. All those customers—99% of all account-holders in the country—can come into a post office and access their account. We serviced around 130 million transactions last year for cash withdrawals and cash deposits. We are in the middle of a very exciting business and it is sustainable for the Post Office as we go forward.

Q183 **Charlie Elphicke:** It would be even more exciting if I was able to do bank transfers, maybe take out insurance policies and talk about my mortgage as well. Why do you not do those sorts of things and innovate?

Martin Kearsley: We innovate hugely, and have worked with the banking industry to do exactly that. That means moving away from paper services on to card-based—chip and PIN and contactless—so there are a number of innovations that we have embedded with our partners. We do not set out to replace a bank. It is important to state that for the Committee. We look to provide the daily transactions, the everyday banking services, that keep fuel in our local economies. For as long as customers bring cash into small businesses, those small businesses will need to bank it somewhere and the best place they can do that is the Post Office. To go into a full banking service would require significant investment—many billions—into the Post Office. We remain entirely open to discussing it, but we recognise that the customers we serve today in our communities are already customers of the big banks, and we provide the everyday banking that keeps them going.

Q184 **Charlie Elphicke:** So you like to do a bit of white labelling. Have you conducted any surveys of whether consumers are happy with the Post Office for completing basic banking transactions?

Martin Kearsley: We have. We regularly survey groups of 3,000 consumers at a time. We work our way through a number of different surveys and, overwhelmingly, there is high 80s/low 90s per cent. approval for the time they take in a post office, the service they get and



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the fact that we are offering a third-party service on behalf of our bank partners.

Q185 **Charlie Elphicke:** Do those surveys tell you about what other services they might like you to provide?

Martin Kearsley: We ask different questions in different types of surveys. We provide third-party services courtesy of the Bank of Ireland. They are Post Office services.

Q186 **Charlie Elphicke:** No, I am asking about the survey. Do the surveys tell you what your consumers say in terms of other services they would like you to provide? What do they say?

Martin Kearsley: Yes, they do. If I could, I will come back to you in writing with what questions we ask.

Charlie Elphicke: I would be interested if you could write to the Committee, because we would love to see what your surveys of consumers are and what they are looking for, which you may not be providing currently.

Martin Kearsley: Yes, we will do that.

Q187 **Charlie Elphicke:** How do postmasters make a clear distinction between Post Office branded and non-branded products?

Martin Kearsley: Customers of all of the banks simply use their standard bank cards. If it is an RBS, Lloyds or HSBC customer, the customer will walk up to our counters and use their bank cards. The postmaster really does not choose which service to offer; it is presented to them on their terminal.

Q188 **Charlie Elphicke:** Does the Post Office make a profit by offering basic banking services on behalf of other providers?

Martin Kearsley: It does not currently. We are in discussions with the banks to change that position, as I said. What we do is charge the banks for the provision of the network and the transactions their customers do with us. We then share that model with our postmasters.

Q189 **Charlie Elphicke:** Tell us more about the discussions you are in.

Martin Kearsley: They are commercially active right now and I would prefer to come back to the Committee later, when they are completed.

Q190 **Charlie Elphicke:** Mr Bulloch, as a bank, like all the other banks, you are busy closing branches up and down the land. Why do the banks not collectively do a deal with the Post Office, so that they can provide counter staff or actual services where they can do real banking, since you do not have a presence there and they have?

Robin Bulloch: The arrangement we have with the Post Office has been explained and is largely to support customers with day-to-day



transactions—paying in money and taking out money. Through our multi-channel strategy, we have a number of ways to help support our customers interact with us and purchase our products outside our main branches. Having said that, we have the largest branch network of any bank in the UK and we believe that will be the case going forward. Through our digital channels, telephony channels and the innovation that we are undertaking, we believe we can provide services to our customers through our channels of entry. We are very happy to have the deal with the Post Office and to be reviewing that deal with the Post Office, but that is clearly for basic cash transactions.

Q191 Charlie Elphicke: That seems to be all that happens. I can go to the post office and use it like an ATM. That is about the size of it, really. It is not very imaginative, is it? Do you not think you should be doing a more imaginative deal with the Post Office, so people can do wider stuff rather than having to schlep off for half an hour to the closest town, where they might be able to find one of your branches?

Robin Bulloch: The point I am seeking to make is that customers have a choice. They can go to the next available branch of Lloyds, Halifax or Bank of Scotland. They can acquire products digitally. In fact, we have seen that two-thirds of the products that customers purchased from us were bought in branch five years ago and a third by other channels. That has completely reversed, so it is now two-thirds digitally or over the phone and one-third in branch. There has been a seismic shift in the way customers have been engaging with us, just in five years, and I do not think that is exclusive to banks; we are seeing that across society as a whole and in all retailers.

We have our telephone channel. In fact, we have just innovated within the telephone channel and customers can now access the bank just through using their voice as a voiceprint, so they do not need to remember PINs and passwords. That makes it a lot easier for customers to engage with us over the phone. We are innovating in the provision of what we call remote advice, which is effectively a Skype-type facility. Customers could have a discussion with one of our mortgage advisers from the comfort of their own living room, so our approach is to innovate within our own organisation to ensure that we are sustainable and competitive, and we wish to provide as many ways as possible for our customers to interact with us.

Q192 Charlie Elphicke: Mr Blomfield, would you bother doing a deal with the Post Office, or do you just think, frankly, “We’re on the internet. We’re on the telephone. We do not need any kind of branch or physical presence”?

Tom Blomfield: We do not currently have a deal with the Post Office. We are in discussions and there is a possibility that we will, in particular for cash provision. The withdrawal or paying in of cash is declining, but it is not going anywhere in the near term. For the vast majority of other services, our customers prefer to use a mobile app, which is open 24 hours a day.



Q193 Charlie Elphicke: Mr Kearsley, it is a problem that not everyone wants to have to talk to someone on the phone about their mortgage or insurance. They would like to talk to a real person and all the banks are clearing off. This is a huge opportunity for you, but you are not interested in taking it. Why not?

Martin Kearsley: I refer back to what my colleague Robin mentioned a few moments ago. This is about working with the most appropriate multi-channel strategy, and that means customers can choose to use mobile, online, telephony or ATMs. They can now choose to go to the Post Office for most everyday banking needs. I am sure, Mr Elphicke, you have been into a post office frequently in the past few months, so you will know that they are very busy places. They are transactional in nature. It means that, when customers come into the post office, they are expecting a rapid transaction. They get what they need and away they go satisfied.

If we were to try, as we have in the past, to ask our postmasters to engage in discussions about mortgages, pensions or life insurance, all of a sudden the branch becomes utterly inoperable. People are waiting way too long and, in fact, even outside that fundamental problem, there is a question of regulation and financial advice. We cannot expect 50,000 of our colleagues around the country—the people who serve in our branches—to be financially regulated, to be IFAs or to be able to offer advice to bank customers. In that appropriate multi-channel model, we serve a particular requirement, which is the cash in and cash out that keeps local economies going. We rely on our partners in the banks to take those customers into that next stage of discussion for more complex financial services.

Q194 Charlie Elphicke: Do postmasters have to offer banking services, even if they do not want to?

Martin Kearsley: Yes, it is a common service commitment across our entire estate.

Q195 Charlie Elphicke: Is that fair?

Martin Kearsley: We think, because of the service that we offer, it is absolutely fair. It is a straightforward cash-in and cash-out service. There is nothing particularly complex about it. We fully recognise that, with the growth in business deposits, in particular in the last couple of years as the banks have restructured their branches, we have seen a huge increase in the amount of cash coming into our branches. That is challenging, we recognise that and we are working hard to address it. That means postmasters spend a lot of time counting cash. We have provided new equipment to try to help. We have modernised and streamlined the processes, so that that can be done more effectively and rapidly, but we recognise that that is a challenge for them right now and we are continue to innovate to fix those problems.

Q196 Chair: Before I hand over to Catherine, I have a couple of follow-up questions. Mr Bulloch, you used an interesting phrase: that customers



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have a choice. But the customers we are talking about today often either do not have a choice or struggle to have a choice. Mr Kearsley, you hit the nail on the head about the nature of post offices. I can see one of your employees sitting there, who I visited at the delightful Shepshed post office, just before Christmas, but it was busy. It was so busy it was almost impossible for me to get a photo opportunity—not quite, you will be pleased to hear.

Somebody who is blind or visually impaired may need assistance. As I understand it, at the post office you cannot use a chip and signature card, so you are back to using a machine. You might not be able to see the PIN pad. Do you want to announce your PIN in front of all the customers who are queuing up behind you? I am interested to know whether the average post office has facilities to help people who are vulnerable, particularly visually impaired or with disabilities, to access their finances.

Martin Kearsley: We take a slightly different look at vulnerability from perhaps one of the definitions, which is about financial impairment. We take far more of a holistic definition of vulnerability, in terms of those just requiring a bit of extra support and access; we are very strong supporters of a dementia-friendly approach to branch services; and obviously everything we do in our branches fits all of the required disability Acts. Having said that, we have to do some services, such as chip and signature, on a selective basis. They are not generally available services, but we do offer them.

Q197 **Chair:** People could ask if they particularly needed it. Is that made clear to people, if the postmaster can see that somebody is struggling? Do people know that they could ask for that assistance?

Martin Kearsley: I am not certain of that, to be honest. There are two ways it comes to us. One is our bank colleagues approach us and say, “We are looking to close a branch. We have the following 10 identifiably vulnerable customers. Can we work together?” As Robin explained, their branch manager and ours will often meet and absolutely assist, hand-holding literally, into the new branch: “Meet the people who are going to be serving you from now on”. That helps people with anxiety challenges or who are perhaps less mentally able to access those services.

It comes to us the other way, from our postmasters, as well. They know full well if they have a particular individual in the community to whom they would like to offer some help. They will come to us and say, “Is there something we can do?” We have done the same with some of your colleagues in the House of Lords, looking at how we can help very particular constituent issues that they have, and we are delighted to have been able to help. When something is brought to our attention that is a personal challenge, we will work out some way in which a cheque can be cashed by the carer. It can be done by chip and signature in extremis, or perhaps we work to handle a customer in a different way, away from the crowd and the busyness and bustle of the branch.



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Q198 **Chair:** We are going to come back to carers and powers of attorney towards the end, because that is an important point. Can I ask one more thing? Can you confirm for the record that the Post Office makes a loss from offering services on behalf of banks?

Martin Kearsley: When we look at the change in our business over the past few years, when we did offer cash-related products on behalf of Government services, there was a lot of cash going back and forward to our network. With those services dropping away, the only reason that we now take this much cash back and forward to our network is in support of the banking infrastructure. Without our banking partnerships, we would look at least to restructure that whole facility. As it is, with the entire cost of supporting our cash infrastructure related to the banking agreement we have, it is not profitable.

Q199 **Catherine McKinnell:** Martin, you mentioned that you are fully compliant with the Equality Act, which for the record requires you to make reasonable adjustments for people with disabilities. I want to ask each of you how you make sure that you are complying with the Equality Act and how you define the word "reasonable" in your organisation.

Robin Bulloch: Let me start with the visually impaired. First, we have a number of systems to ensure that, if a customer is vulnerable, we know that they are vulnerable. In some of our key interactions with customers, we ask them if there is a vulnerability we should take into consideration, such as purchasing a product, an insurance claim and dealing with customers in financial difficulty.

We also record support needs for customers, where they indicate that they need additional support. To take the visually impaired, you would expect us to have and we do have facilities in Braille. We can provide audio CDs, large print and colour print. By the end of this year, 77% of our ATM estate will be talking ATMs. All our digital content is approved by AbilityNet. We have screen-reader capability on our digital content, which allows people to have all the content read out to them. We take our commitments under the Equality Act very seriously and we have a number of ways to support people with hearing impairment, on which I am happy to expand. We basically take the legislation and ensure we adhere to it in respect of any disability.

One example of that is our 44 mobile branches. We have five legacy vehicles, I would acknowledge, in the Bank of Scotland, which are not fully Equality Act compliant today. Those mobile branches will be replaced over the next couple of years, but the just under 40 remaining vehicles in the fleet are all fully Equality Act compliant and have disability access.

Q200 **Catherine McKinnell:** You mentioned that you would be happy to expand on those who have a hearing impairment. How easily accessible are your services to a BSL user, for example? Are you prepared to fund a BSL interpreter if that is required? Is that something your bank would offer?



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Robin Bulloch: The short answer is yes. As you would expect, we have induction loops in all our branches. Much of the content is online and we have signers' video content to convey the key elements of the information. If a customer wishes to have a discussion in one of our branches using a signer, they can either bring somebody in who can work with them and communicate with us, or we will provide a signer and cover the costs, up to £200, for the provision of a signer. There is absolutely access that way.

Through our telephony channel, we use phone text and the next-generation text service, so customers who avail themselves of that machinery are able to contact our telephone centres and discuss that with us as well. We believe we have comprehensive solutions for key disabilities, such as the visually and hearing impaired.

Q201 Catherine McKinnell: You have mentioned there customers asking for it or requiring it. One of the big issues for a BSL user is that, for quite significant public services, they have been asked how somebody could get in touch to organise that meeting with a BSL signer. They have been told to phone a number to request it. For customers who have those requirements, how do you know they are actually being met? This is a big challenge right across the board, not just for Lloyds Bank.

Robin Bulloch: I completely understand the nature of the question. As I mentioned earlier, where the customer has indicated that they are vulnerable or we have entered into a discussion with them around a perception of their vulnerability, we can record support needs. One example of that is if the customer needs support through the use of a signer or they need longer meetings. What we have seen with some customers who are hearing impaired is that they are on a scale. If they contact one of our centres and go through the standard verification, we are happy to have a family member or friend speak to us on their behalf.

Q202 Catherine McKinnell: The people I am talking about would not be able to contact you, and that is the point. There is a group of vulnerable customers who are not even able to get past that first point of inquiry. This is for the Post Office as well, and I am sure Monzo, on an online basis, has this challenge. Do you engage with any third-sector representative organisations of BSL users, for example, to make sure that they are aware that Lloyds is willing to provide this service, so that initial contact can even be made?

Robin Bulloch: We certainly promote it. If you go on our websites, they will instantly tell you about the use of sign language, if you put that into the search engine. It will talk about how we will provide BSL and cover the costs of providing signers, so that is one route. If you need somebody to help speak to us on the phone, we will explain that we can provide signing services there. If you are coming into our branches and we know already, we can set up an interview with a signer. If this is new news to us, we will record the support need and make sure that we provide that service, going forward.



Q203 Catherine McKinnell: Is it the same for the Post Office and Monzo? Do all your websites have assistive technology, for example screen-readers for those who are visually impaired? How do you support your customers to ensure that they are able to access your online services, as well as any offline support that they require?

One of the challenges that I keep hearing is that the gateway to receiving face-to-face support is often online now. Whereas people may have a disability that creates a barrier to accessing online information, they are now becoming excluded from the face-to-face world because their access has to be through some online system that they cannot actually access either. Are you aware of that issue and what are you doing to combat it?

Another issue is that one of the comments I hear back from organisations that represent people who are excluded from these services is that they had an inquiry but they did not get any complaints, but obviously they are not able to complain because they cannot access the online world that would enable them even to lodge a complaint or know that the organisation was putting itself out there for feedback. My question is: how can you be confident that you are genuinely accessible to some of the most hard-to-reach and challenged groups engaging with both the online and the offline Post Office service and also Monzo?

Tom Blomfield: We are obviously an online-only bank. We offer no face-to-face interaction at all. The biggest disabled groups we can cater to are those who are blind, so we have screen-reader technology in our mobile apps, and deaf people, who are able to use the app. Something like 98% of our customer interactions are via in-app text chat, so WhatsApp-style text chat, which deaf people are normally able to use. We work very hard to ensure that all our written content is as accessible as possible, so we have a Clear & Simple Mark by Fairer Finance. Our terms and conditions are under 1,000 words, with a reading age of eight, so we have worked very hard there. Our real problem is that, if people are not able, willing or comfortable using digital technology, it is much harder for them. We play in a limited segment of the market, in that sense.

Martin Kearsley: The answer for us comes in two parts. You mentioned the online and offline. I would like to come back to the Committee with more details about online, because I apologise, but I am not fully aware, apart from that we are compliant with the Act. We have put many millions of investment into our website technology to make sure that every aspect of our service—not just our financial services—is accessible to all who wish to read it or see it. I will come back with detail about how we comply.

In terms of the branch world, we are talking here about, in some cases, some small post offices in some tiny villages dotted around the country. In those instances, it is difficult to make sure that we are fully disabled-accessible. However, as I talked about before with Mr Elphicke, the services we offer on the finance side are straightforward cash in and out,



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so it is about signposting to every consumer and customer how they can get to the point where they can get to that service.

I mentioned being dementia-friendly earlier; we have put a lot of work and time into signposting in very clear font, with red, white and black, which we understand to be the three most discernible colours. That signposts for the visually impaired where to go to the counter and queue. We are even trying to remove the confusion for some customers. If there is a little arrow that says, "Queue here", people will queue right there and other people will go round it to the counter. We are trying to simplify the language and be very clear in how we point out access to the counter.

Physical access is another one that can be quite challenging. We have a branch standards group that will go out to every single post office around the country and assess for access, wheelchair ramps and handheld supports for customers. We are looking at the demographic mix, which is 17 million visits a week from everybody in our society, to make sure we are physically able to welcome them in and point them in the right direction to get the service they want. I will come back to the Committee on the website and online specifically.

Q204 **Catherine McKinnell:** Can you come back on BSL as well?

Martin Kearsley: Yes, absolutely.

Robin Bulloch: Could I pick up one point from something that Tom said about reading age? We recognise that much of the literature we provide, largely driven by regulation and other factors, is quite complex. We have a major programme underway; we have 40 people looking at this in the plain English team. They are looking to reduce the reading age of all the material from the bank from an average of 18 and above to 11, so not quite eight.

Q205 **Catherine McKinnell:** Eight would be better, if you can.

Robin Bulloch: Can we start at 11?

Q206 **Catherine McKinnell:** It would help everybody, but particularly those with some of these disabilities.

Robin Bulloch: We understand that for the hearing impaired, because many of them have not had the benefit of phonetics, interpreting the written word is more challenging.

Catherine McKinnell: BSL is a different language.

Q207 **Rushanara Ali:** On that, I would be interested to know what you are going to do about the small print, as anybody who gets guidance and documents from insurance companies and banks could benefit from more simplification.

Chair: I think everyone should aim for 1,000 words in their T&Cs. Is that right?



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Rushanara Ali: The small print is totally inaccessible, even for people with no visual impairment, so it is bizarre that that is still going on.

Robin Bulloch: A lot of the content that we have around agreements with customers, so purchasing a product, is driven by regulation.

Q208 **Rushanara Ali:** It does not have to be in small print, does it? You are not the only one; it is industry-wide.

Robin Bulloch: I acknowledge that the work we are doing is going to take a long time, but we are working through all our media content, digital content, literature and contractual agreements seeking to simplify the use of language. It is not our intention to hide behind any small print.

Chair: Do you mean that the font size is tiny?

Robin Bulloch: I beg your pardon.

Q209 **Rushanara Ali:** There is small print as well as “small print”. In common parlance, “small print” implies it is being made very difficult for people to digest and read between the lines. Insurance companies are renowned for this, where people discover, through the way that material is provided, a whole load of things that they did not quite realise. It is both literal and goes beyond the terms.

I had one follow-up question for Mr Blomfield, which is relevant to others using apps. When you are doing upgrades, and again this is not specific to those with vulnerabilities, people get in the habit of using something and then that changes. It is human nature. If you have a vulnerability that can be disruptive and challenging. What do you do to make that change seamless? I expect lots of people have that experience when their Google accounts are upgraded. For security reasons you need to keep upgrading, but it can actually be difficult for people.

Tom Blomfield: There are a few things there. One is support for older devices. Certain vulnerable people might not be able to afford the latest handsets, so making sure we support older versions of operating systems, so that people do not have to upgrade their devices physically is important. Wherever possible, we make releases optional, not mandatory. Every few months, there is a mandatory security upgrade that we need to push through. Overwhelmingly, we do not push out a release before it has been tested with a wide range of people. We work with various different charities and user groups to make sure they are able to experience the app and give us feedback ahead of rolling it out.

Q210 **Rushanara Ali:** I will focus my questions more on definitions of vulnerability and also the merits of the duty of care. What are your views on the FCA’s proposal for a duty of care? Perhaps Mr Bulloch could start.

Robin Bulloch: I will start with the definition of vulnerability that is provided by the regulator. It is clearly broad, but I am of the view—and I am the group executive with responsibility for vulnerability in Lloyds Banking Group—that the fact that it is broad means that the organisation,



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in totality, is looking to ensure we support vulnerable customers better, over time. There are opportunities for us to work with the regulator and other bodies to try to ensure we have greater clarity in our view of the greatest vulnerabilities and areas of concern around interactions with banks.

In terms of the duty of care, candidly, the regulator already has enormous powers and has used those powers on many occasions. The Senior Managers Regime calls everyone who works in banks to account to make sure they act responsibly. The core tenet of the regulator is to ensure that we treat customers fairly. It is not our view that any duty of care would change the interactions between the regulator and the bank or change what we are seeking to do to help to support all our customers.

Q211 **Rushanara Ali:** The regulator has the powers. It is not using them adequately when problems occur. Is that a fair summary?

Robin Bulloch: I am not sure I am aware of situations where the regulator has not used its powers when it has deemed it appropriate. I am not aware of situations when we have not responded to the regulator challenging us or setting the bar higher for the industry.

Q212 **Rushanara Ali:** That would imply there are no problems.

Robin Bulloch: I would not wish to suggest that.

Q213 **Rushanara Ali:** Would anyone else like to come in on the first question about the duty-of-care proposals, Mr Kearsley?

Martin Kearsley: There are a couple of things I will mention about a duty of care. The Post Office is not regulated by the FCA.

Rushanara Ali: A view would still be interesting.

Martin Kearsley: Absolutely. We fully recognise and try to abide, where we can, by all the requirements of the FCA, either as a partner for the banks or for credit unions and other organisations. They come forward with their recommendations. They are coming up with a consultation paper on vulnerable customers. I have no comment to make on whether they are currently using available powers in the right way, but we should wait until that consultation paper is delivered to consider whether further legislation is required. That is our position; we prefer to wait until that further consultation comes out.

Tom Blomfield: I am not sure what a duty of care would mandate us to do in excess of what we are doing today. Perhaps echoing what Mr Bulloch said, we take our responsibility to all our customers, including vulnerable customers, very seriously. We were rated No. 1 in the UK for customer service by *Which?* magazine and our net promoter score is, on average, 79 or 80. The average bank hovers around zero to 10. We have the lowest rate of complaints and by far the lowest rates of Financial



Ombudsman Service complaints by far. We treat our customers incredibly well and, if there is anything more we could be doing, we would love to know about it.

Q214 Rushanara Ali: Let me just enlighten you then. The definition of duty of care is "to exercise reasonable care and skill when providing a product or service". One of the critiques is that the existing definition does not deal with conflicts of interest and does little to deter firms from mis-selling products and services. We know there has been lots of mis-selling in the past. We know about high-profile cases, particularly in the banking sector, with the GRG scandal in relation to small businesses. There is also an argument for a fiduciary duty, which some would argue is complex to define. Then there is a broader set of issues about not narrowing down vulnerability to people who have particular disabilities. In this day and age, in their lifetime most people will face mental health problems. This could lead to a sea change in the way that the industry thinks about vulnerability at different points in people's lives. Is it not arguable that there needs to be an upgrade in the way we think about vulnerability and how customers are cared for, given these points?

Robin Bulloch: I would not wish the Committee to think that, when I am talking about vulnerability, I am simply talking about people with disability.

Rushanara Ali: It can be interpreted that way.

Robin Bulloch: It may be, but not by us. We really seek to try to support customers around a myriad different vulnerabilities.

Q215 Rushanara Ali: Sure, but you understand that, as well as talking to you, we are looking at the whole sector, so it is useful to look at that.

Robin Bulloch: Certainly the FCA consultation around vulnerability will be really useful, to see what its revised or enhanced view is of vulnerability. I acknowledge that, in practice, we effectively have a two-dimensional view of vulnerability. We try to identify all vulnerabilities. We seek to identify those vulnerabilities that we consider to be more acute and we look at the key interactions with us that we believe are of a higher standard to ensure that vulnerability is understood and taken into account. I will use one example. If somebody is in collections or we are managing a customer through financial difficulty, we would want to know and indeed do ask if there is anything else we should know or if they have mental health issues.

Q216 Rushanara Ali: I am particularly interested in these specific points around conflict of interest and mis-sellings. The current definition has not provided protection to people. We want to see more protection to customers across the range. Now they do not have to be vulnerable to face this; the broader duty of care is arguably one that would protect all consumers. That is the point here.



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Robin Bulloch: Our view is that the regulator currently has substantial powers. You mentioned mis-selling and clearly there were situations in the past that we are working through to rectify.

Q217 **Rushanara Ali:** Excuse my ignorance, but was the duty in place before those mis-sellings happened? I apologise; I am not clear.

Chair: The duty of care is not there.

Robin Bulloch: The duty of care is not there currently.

Q218 **Rushanara Ali:** I do not mean the duty of care; the vulnerability definition existed, did it not?

Robin Bulloch: It has had two or three iterations over that period.

Q219 **Rushanara Ali:** That vulnerability definition did not protect customers from some of the problems that have existed in the sectors. My question is, given that there have been issues, is there merit in the industry, including your organisation, keeping an open mind and engaging with that definition and a new duty-of-care proposal to get it right? I recognise there will be issues and concerns about complexity and over-regulation, but if you get it right we will not be in this position, where the current definition and powers do not seem to be adequate or adequately applied to protect people against some of the things that have gone badly wrong.

Robin Bulloch: I will let others speak. You used the term “open mind”. We absolutely have an open mind. We are in discussions with the regulator, as the industry is, around the duty-of-care principle. We will not resist a position that the regulator believes is beneficial to businesses and customers. You asked me a question and I seek to give you an honest answer, which is that we believe the regulator has sufficient powers today, but we will clearly work with the regulator and abide by any rules or regulations that it seeks to introduce.

Q220 **Alison McGovern:** I want to think about a slightly different group of consumers, particularly people who do not have bank accounts. To open, would anybody like to say why they think this group of people does not have bank accounts? It is relatively small in the UK compared to other developed economies, but why do those people not have bank accounts?

Martin Kearsley: There are numerous reasons why individuals in some cases choose not to have bank accounts or, in many cases, are not able to access them successfully. There are either what they call Know Your Customer—KYC—challenges put in front of them, or different life situations. Ms Ali just mentioned that, through people’s lives, all sorts of different things happen, to financial security, to your lifestyle and so forth.

We in the Post Office see all customers of every type and, while we serve bank customers very successfully in our branches, we also serve any number of benefit recipients, the unbanked and those for whom the Post Office is their lifeline, in every possible sense. That includes being able to



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pay out over £1 billion each month to sectors of our community that would otherwise have nowhere to go. Many of those people are unbanked. They find themselves in some very desperate life situations, sometimes through no fault of their own. Some of them are ex-service personnel who have struggled with the post-traumatic stress side of things. There are people who have been unable to find work. There are people who have not had settled status here for long enough to be able to pass those KYC checks.

In expanding our services, we are looking to drop down below the level at which a bank account applies into every individual, and make sure that not only do our postmasters and post staff know those individuals in their own community—they tend to know them very well—but that we can offer them services that may or may not be bank accounts. They could be referrals to credit unions or to organisations within their own community. We keep an eye out for all individuals in our society who have fallen into that sort of bracket.

Alison McGovern: We will come back to your postmasters—non-gendered postmasters, I am assuming.

Martin Kearsley: They are non-gendered.

Q221 **Alison McGovern:** Mr Blomfield, Monzo has had some publicity recently about its consideration of particular groups of people who it may wish to provide bank accounts for. Is there anything you want to add about the rationale for that or what the challenges are?

Tom Blomfield: People end up with significant financial disadvantage if they do not have access to mainstream finance. There are, by some counts, 2 million or 3 million people in the UK without access to mainstream finance, and I do not think Monzo has done enough; no bank has done enough. There is not actually any good reason for that. We need to do more and we can do more.

The reason often touted is KYC and money-laundering worries, but the regulation is pretty clear on this. I was reading it last night and part 2 of the Joint Money Laundering Steering Group's guidance lists over three pages the different forms of identification that you could choose to accept, if you wish to, and reminds banks of their duty to support financial inclusion. For example, for someone who has come out of prison, it might be the warden of the home where they are staying. For a refugee, it might be that ARC cards can be used for identification. For homeless people, it might be that the management of the shelter they are in can write a letter and they can use that for identification to get a bank account. The problem is that these are not standard documents that go through an automated process, and so we have not done enough yet to support them, but we will do more. We are working with homeless charities to bring more people into financial inclusion and I look forward to much more progress being made.



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Q222 **Alison McGovern:** Would you say that the industry and Monzo specifically are at the beginning of that journey?

Tom Blomfield: Yes. We are an online-only bank. If you do not have a smartphone, you will be excluded. Having said that, the one possession that a refugee might bring is a smartphone and it is the same with a homeless person. Within that constraint, we can do a lot more.

Robin Bulloch: There are a few things, if I may. We believe that approximately 1.5 million people in the UK do not have access to a bank account. That is not the same thing as 1.5 million wishing to have a bank account who do not have one. A number of people seem not to wish to have a bank account. Our historical position around the basic bank account is that we have a significant market share, so approximately 38% of the basic bank accounts in the UK are Lloyds Banking Group's basic bank accounts.

Q223 **Alison McGovern:** What is the quantum of that?

Robin Bulloch: It is 2.8 million of the 7.5 million basic bank accounts in the UK. It is considerably ahead of our market share for current accounts. With excellent competitors like Monzo, we have made a commitment to maintain one in four new basic bank accounts coming to us. This challenge that Tom has mentioned is around identification and verification. There are standard identification and verification requirements, usually utility bills, statements, driving licences and passports. We have over 70 or 80 alternatives that we can accept.

We have a number of initiatives underway within Lloyds Banking Group to try to support the homeless and refugees. We supported 42 prisons and 1,800 prisoners in the last year to open bank accounts. The homeless initiative in Manchester uses introductory letters from the Shelter and Barnabus charities to help support people to open bank accounts. We have been working with the Department for Work and Pensions on accepting universal credit statements as a form of verification, and are keen to ask the industry to participate in that more broadly. Lloyds Banking Group is doing that, I think exclusively, at the moment. There is an opportunity to ask the whole of the financial services industry and those that provide current accounts to make a commitment to the opening of basic bank accounts. There is a formal commitment with nine companies.

Q224 **Alison McGovern:** Can I ask a couple of specific questions about basic bank accounts, because this is quite important? Could you talk about the cost structure? Do they cost more to administer than current accounts?

Robin Bulloch: No, as you know, the basic bank account is free. It provides a basic banking provision, but the cost to us is not dissimilar from other products that provide a basic current account provision.

Q225 **Alison McGovern:** I am just making an assumption about their value to you, so correct me if I am wrong. They are probably less attractive as a



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commercial proposition, but they are not more costly to deliver.

Robin Bulloch: The first full account that we do within Lloyds is the Classic Account. A Classic Account has a debit card that has contactless. You can apply for overdraft facilities. The basic bank account does not have contactless and you would not be able to apply for overdraft facilities, so there is a difference in terms of the revenue stream that we can make from those two products, but the cost of providing them and administering them on our systems is comparable. These are not commercially advantageous products for us to have.

Alison McGovern: That is fine; I just wanted to get that point clear.

Martin Kearsley: Can I add one further thought? Tom mentioned several million customers. The number is debateable, but there are certainly several million customers who predominantly live on cash. For those who choose not to have a bank account, the industry can do more but, for those who want a bank account but struggle, one of the key enablers in which we could all engage is the provision of a regulated digital ID. That would be a significant step forward for the industry and the economy as a whole. It is the ability to provide what is already a well-established Verify service that is available to all customers, with a varying degree of ID to bring behind them. It makes them able to access portable services. They can move services, if they need to, if they change physical location or change circumstances. That digital ID step forward would be a significant improvement for access for those customers.

Robin Bulloch: Could I add one more point? We review these basic bank accounts and, if we believe that the individual has demonstrated credit-worthiness, we periodically upgrade these accounts. In fact, last year we upgraded a tranche of 750,000 customers who had been on the old basic bank account. This allows customers to have contactless and to apply for credit if they want it. We try to encourage customers to go on a path to participation.

Q226 **Alison McGovern:** In the end that is more profitable for you as well. It is a win-win, in that sense.

Robin Bulloch: Absolutely, it is a win-win.

Q227 **Colin Clark:** This Committee has recently opened an inquiry into IT failures in the financial services sector. Data from the FCA shows that firms reported a 138% increase in technology outages in the year to October 2018. What is behind this increase, Mr Kearsley?

Martin Kearsley: I would defer to our bank colleagues for an answer about the IT struggles there, but I could possibly comment on the provision, having recognised that there is an increasing number, possibly because of the complexity of IT systems that sit behind these amalgamated banking services. We have taken steps to be, if you like, the last line of defence. We recently saw one of the major card schemes run into some problems a few months ago and we took that into account,



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overnight. In case that service did not recover by the Saturday morning, we had several hundred million pounds in cash, ready to move out from our distribution centres into the branch network to support a requirement for extra cash that day.

Following that problem, we saw a general increase in the amount of cash withdrawals anyway, almost as though a little light bulb goes off and people think, "Actually, if I am entirely dependent on this card and this IT, and it does not work, what am I going to do?" That cash has not been recycled back in; in other words, people have possibly tucked a bit away at home for a rainy day. Obviously we are coming up to a fairly key moment in the next couple of months and we are actively planning to have more cash available in the network so that, if some of these systems struggle for whatever reason, there is always that fall-back to a counter and a human. Mr Elphicke mentioned that we are like an ATM at the counter. Our postmasters and postmistresses would not thank me for saying it, but that is effectively the service we offer. We are a physical ATM, a human ATM and the ability to get cash out at the counter. That service supports any of the challenges that our colleagues in the banking industry might face.

Q228 Colin Clark: Mr Bulloch, what is an acceptable level of tolerance for outages? I know that is an impossible question, but what does the general public expect?

Chair: What would the general public put up with before they go mad with complaints?

Robin Bulloch: The first thing to say is you would have expected me to have fully prepared to come to this Committee, but our IT systems are not an area of expertise for me. I know there is a separate Committee inquiry into this and Lloyds Banking Group is of course happy to provide experts in our IT system. To use my banking experience rather than my IT experience, we recognise that some of our systems are vital. Payments and the provision of cash are key areas where our customers would clearly expect us to be always on, and our definition of "always on" would be 99.9%, because you do things to update your systems.

I do know, because I was briefed, that some of the key elements of the way we make sure our systems are resilient start with capacity. We always have far more available systems than we ever have demand for. We share that load, so we have built-in contingency and, in the event of one system going down, there is an alternative element available. We are investing substantially in resilience and an element of the £3 billion that Lloyds Banking Group has stated publicly it is spending on improving its efficiency, effectiveness and service to customers will improve our resilience. We then constantly do monitoring to make sure the systems are available as expected.

When things go wrong, and they do go wrong, our first priority is to remedy that and remedy it quickly. We inform our colleagues and



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customers of any system challenges and, if any customer, at any time, has been financially disadvantaged or inconvenienced, absolutely we will rectify that. We will put them back into the position they were in before this event happened and, if there are distress and inconvenience payments due, we will make them.

Q229 **Colin Clark:** In traditional banking, it is like turning up and the branch is closed randomly.

Robin Bulloch: As an analogy, I would agree.

Q230 **Colin Clark:** Mr Blomfield, can I put something to you that Megan Butler from the FCA said? She said, "The tech landscape is characterised by massive outsource functionality in IT, with chief information officers commanding armies of semi-permanent contractors, or unregulated third parties". Does that add to the problem in the financial services sector and why things fail?

Tom Blomfield: I cannot speak for other banks. Monzo is as much a technology company as it is a financial services company. Indeed, banking is becoming a technology problem, so we have a large number of in-house programmers. We have built our systems from scratch. We rely on a small number of key outsourcers, in particular Amazon Web Services. We host our banking software in the cloud, but that really is the main outsource. The rest we carry out internally.

Q231 **Colin Clark:** Does Monzo have a big advantage because it is a new bank and you are starting from scratch and building up, as opposed to traditional systems, which have to migrate across to newer systems? As any of us with IT knows—I am useless—that is very complex.

Tom Blomfield: Yes, we believe so. Again, I cannot speak for the big banks, but I believe we have an advantage on a number of fronts. One is simply cost. We do not pay massive fees to outsourcing companies; we have built it in-house. Another is scalability and flexibility. We are able to build new additions, whether a gambling block or confirmation of payee, which are coming up. We are able to build those much more cheaply and iteratively, and we are able to respond more quickly when problems happen. There is also the problem of legacy. A lot of the larger banks are not a system, but an agglomeration of many systems over many years, many of which were created before the internet even existed. Having to secure these systems against threats that did not exist when they were written is much harder than starting from scratch and saying, "Let's build for the internet", effectively.

Q232 **Colin Clark:** Can I take you to something that Econsultancy said on 6 March 2017, which I recognise is nearly two years ago? "Monzo's agile and modular approach meant using a third-party processor that it completely relied on. Monzo's service was not built entirely for resilience", and it goes on to say that that would improve as the customer base built up. Was that fair?



Tom Blomfield: That referred to a third-party card processor that we used for our pre-pay programme, and the resilience was not what we wanted. We took that piece of software and rebuilt it in-house and, since then, it has had dramatically better resilience.

Q233 **Colin Clark:** ComputerWorldUK, in July 2018, was speaking about Monzo: “When communicating with customers Monzo always looks to give as much detail as possible”. That is a good thing, but they go on to say, “Which often means throwing a supplier under the bus”. What were they getting at?

Tom Blomfield: This probably related to that card processor. We had an outsource relationship that we were not happy with.

Q234 **Colin Clark:** Do you still use them?

Tom Blomfield: We do not.

Q235 **Colin Clark:** Why did you decide not to? Were they not delivering the service you felt that was required?

Tom Blomfield: They were not. We took several periods of downtime. Most notably, we took 12 hours on a Sunday afternoon when people were unable to use our cards, which was totally unacceptable. Again, this was on the pre-pay system, when people were not relying on it as their main bank account, but it was totally unacceptable. We went to our customers to explain what had gone wrong—it was an outage with the card processor—and what we were going to do to fix it, which was to build that piece of software in-house from scratch. We told our customers what was going on and what we were going to do to fix it, and we delivered on that, which was to rebuild it. Since then we have had dramatically better performance. It has not gone down.

Q236 **Colin Clark:** You accept that outsourcing IT potentially causes a weakness, or in your experience it caused a weakness.

Tom Blomfield: If you have picked the wrong outsourcing partner, it can be a weakness.

Colin Clark: I suppose you do not know until they fail.

Tom Blomfield: It can be a great strength. For example, we would never dream of running our own data centres. AWS, Google and Microsoft all provide world-class data centres. That is not something we would look to do ourselves. That then poses the problem that they become systemically important. If AWS goes down, perhaps a bunch of our banks go down. Moving to a multi-cloud environment where you are not reliant on one is the solution there. Chosen well, an outsourcer can add to the capabilities.

Q237 **Colin Clark:** To perhaps come back to the high street banks, how do you assess the level of cyber and operational expertise, both within this industry and among the regulators? I am giving you the opportunity to say if the regulator is any better. Is the problem that IT is impossible to



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keep up with?

Chair: Would you like to write to us about that?

Robin Bulloch: It would be better to get the experts to answer that question, if you do not mind. Thank you.

Chair: I am going to bring in Wes on a different topic but, actually, particularly for Lloyds and Monzo, it has been helpful to hear that, but we have that separate inquiry so, if you both have more to add on that, we would really welcome hearing from you, from your experience.

Q238 **Wes Streeting:** I am going to focus on some of the tools that have been developed for things like gambling blocks and spending limits, starting with you, Mr Blomfield. The Committee welcomes Monzo's decision to allow gambling blocks on accounts, but can you tell us why you decided to implement this tool, what the latest figures are on how many of your customers are using the gambling block software, and if it is possible or, in your view, desirable to extend this block to individual retailers, for example pubs or off-licences, to tackle issues like alcohol addiction?

Tom Blomfield: Thank you for the opportunity to talk about this. We introduced the gambling block because our customers were asking for it. We have a vulnerable customers team, which works with customers of all kinds of vulnerability, and we noticed a growing incidence of people with gambling problems. Our vulnerable customers team itself came up with the proposal and, honestly, it may have taken a week or perhaps 10 days to build it. The cost was four salaries for 10 days. We are not talking millions and millions of pounds here.

We worked with a couple of gambling and debt charities to make sure the mechanic was right. This is the ability for a customer to opt out. We will automatically decline any payment that comes through with a merchant category code, MCC, which says gambling. Bookmakers, for example, have to self-declare as gambling so, at the customer's request, we simply decline those transactions. Crucially, we add a 48-hour cool-down period so, if a customer wants to opt back in, they have to wait for 48 hours. Often people with various mental health disorders will, late at night, for example, want to re-enable it but then the next day decide they really do not. That cooling-off period is crucial and is the thing that has been really welcomed. As of yesterday, we had 58,000 people who had enabled the gambling block. That is not to say that 58,000 people necessarily had gambling problems; some simply wanted to turn it off.

Q239 **Wes Streeting:** They have chosen to use the service. What proportion of your customer base is that?

Tom Blomfield: It is about 4% or 5%.

Wes Streeting: That is not insignificant at all.

Tom Blomfield: Among those customers, we have seen a 70% reduction in gambling, which is really significant. We are very happy to have done



it. Part of running any business is supporting your customers and society. I believe it is the right thing to do. We would love to extend this to other areas, but the issue is the availability of data. When a transaction comes through the card network, we get very high-level data—things like the total amount, the merchant category code, some location data and that is about it. In blocking alcohol, for example, we would be able to block off-licences, which would be a pretty good coverage. The problem is if you go to a supermarket, for example. We do not want to block your Shreddies.

There is a solution. The solution is what is called level-three data. Any retailer has the option to include, in that message, line-item data on what you are buying, so not just that you have bought a flight, but the flight details, or not just £100 at Tesco, but you bought a case of beer and your Shreddies.

Wes Streeting: How do you know my weekly shop?

Tom Blomfield: Most retailers choose not to include that data. If they were encouraged or even mandated to include that level-three data that would enable us to do things like block the purchase of alcohol for under-18s or self-exclude from alcohol purchases. The retailers do not want to give up this data, because they believe it is commercially sensitive. We believe it is the customer's data. It has immense utility for things like submitting tax returns or budgeting, so knowing how much you are spending on alcohol versus entertainment or whatever. Similarly calorie tracking, if you are into that, becomes much easier. There is this enormously valuable set of data that we would love especially the supermarkets to release. It would help to serve vulnerable customers but, without it, it is hard to do an alcohol block.

Q240 **Wes Streeting:** You can understand, both from a consumer privacy point of view but also given the increasing ubiquity and value of data, why retailers would not want to hand over that valuable data to you guys. For specific items such as alcohol, particularly given what you said about under-age sales, there is definitely potential public policy attraction. I was quite struck that the Money and Mental Health Policy Institute said that 59% of block users turned it on in their first week after opening a Monzo account. The question follows: do you think the gambling block has actively encouraged people to join Monzo, and is there a commercial benefit for banking providers and other financial services to proactively market this as a good proposition for customers?

Tom Blomfield: We did not do it out of any commercial imperative, but the repercussions have been positive for the business. We have received a lot of positive press. This comes back to social purpose; any business that is operating in a vacuum without realising what impact it has on society, positive or negative, is going to come a cropper. It is just our way of making sure those externalities are positive.

Q241 **Wes Streeting:** Turning to Lloyds, in a statement at the start of the year, Lloyds said it was working on "self-service options such as gambling



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restrictions". What progress has been made on this and when can we expect this tool to be introduced for Lloyds customers?

Robin Bulloch: Absolutely I will answer the question. I would like to recognise and applaud Monzo for its initiative. What you find with new entrants is that they innovate and that incumbents need to sharpen their pencil.

There are four elements to the work that we are undertaking to support customers who have a gambling problem. From the data I have seen, in the last year we have had 100 complaints from customers who felt we could have done more to help them. That is not a big number, but it is important enough for us to consider how to respond. Just under 80,000 of our credit card customers use their credit card to pay for gambling, but they use these cards for many other reasons. There is no correlation that we can see that says that, as a result of being a gambler, you are definitely going to be in a form of financial difficulty, but we want to take steps to address this.

We are looking closely at the card controls that Monzo brought in and you should expect us to do card controls that are not dissimilar. The breathing space element is important, actually, because giving a customer the ability to switch off the card for a particular merchant that they can just switch back on again at, a moment's notice, is not helpful. Creating that gap is important. We are also going to do alerts, so text prompts to customers, which they can choose to have if we think there is a high incidence of gambling taking place on their account. We are going to do more around training and educating our colleagues in the business, in our call centres and branches, as part of our vulnerability training, and we are going to review some aspects of our credit policy and make sure that we are intervening where appropriate.

I have to tell the Committee that it is not easy to know exactly when you should intervene and say, "We are not prepared to make that payment on this occasion". If customers are using their own money, irrespective of the frequency, that is their right, but we will take measures.

You asked me a specific question about when this will come in. I do not know the answer to that. The work is underway and I would expect it to be around the half-year.

Q242 **Wes Streeting:** You can anticipate my follow-up question, which is that we have heard from Monzo that they can get this done in four weeks. Why is it taking the big guys so long?

Robin Bulloch: Tom might have answered that. We have systems that are sizeable in scale. We wish to innovate and do innovate in many ways—I could give you a number of examples—but, when we are lifting the bonnet and going to change the engine, it takes time, because we have to be very careful about the changes that we make, and we would absolutely wish to guarantee that the changes are done once, rather than



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trying to do things quickly and finding that we have not done what we intended.

Q243 Wes Streeting: Mr Kearsley, you have had the benefit of hearing my questions to Lloyds, so you can come in with the benefit of a bit of advanced warning. Where does the Post Office fit in to all this? Are you as far ahead as Lloyds in having made a commitment to follow Monzo's lead, or is this something still being debated and discussed? When might we see some benefits for some of your current account customers?

Martin Kearsley: We offer the service to the current account customers of the other banks so, in effect, the services that are available for each of those accounts are available at a post office counter.

There is a slightly different type of answer. It is possibly less to do with gambling and challenges like that, but more to do with helping people manage their daily spending. If you all consider a normal ATM, you can only withdraw fixed amounts—£10, £20, £50 and so on. One of the clear benefits of our Post Office counter services is that those who wish to and have to manage on a budget can withdraw to the penny, if they need. In many cases this happens: we have customers who come in daily and sometimes twice a day, maybe on the way to work or the way home; they buy just what they need for that day. They do not want to draw out £10 because they know that, if they only spend £4.60, the rest is going to get wasted in some way; it will do. They would far rather budget to the penny.

For services like that, we work with our bank partners to say, "If your customer wants to withdraw a very specific amount, that is exactly what they can do". We offer that for basic bank accounts. As Robin has explained, those accounts are limited in their functionality, but they are there as a protection mechanism and an entry into financial services.

We are also increasingly looking to work with credit unions through aggregator companies. That is possibly something for later, but the whole point there is to help people for whom the little knocks that happen through a month can take them into some serious debt. That is typically when they might fall into the hands of unscrupulous loan agents, high interest rates and so forth. The ability to access a credit union account or a super-easy accessible account like that, in any post office, as opposed to the one or two credit union branches that might be available at particular hours, is a huge benefit. It just gives people the access to cash they need to fix the boiler, fix the fridge or get the car tyre changed, which otherwise would take them into a difficult place.

Q244 Wes Streeting: Conscious of time, you have led neatly into my final question and have partially, if not completely, answered it. Beginning with you and then working down the panel, thinking more widely than gambling blocks, what tools do each of you offer to encourage consumers to manage their money more prudently? In summary, what would you like to show off as particular areas of best practice that your competitors



should take up, having followed your lead?

Martin Kearsley: It is difficult now in the branch networks to have competitors follow our lead, because we are ubiquitous. Recognising the position that puts us in means that we are responsible local community champions. All our post staff and colleagues take very seriously how we look after the more vulnerable. Without repeating what I just answered in the prior question, the key is the link between the systems and the capabilities we can offer, that to-the-penny change, but with the social care element that sits on top. It is a corporate social responsibility to say that we watch our communities, we know them and we can help them when they start to run into difficulties. That is a flagship of our service.

Robin Bulloch: In answering this question, I could give you a myriad tools that we have to help people manage their banking—money management tools and text alerts—but it is better to deal with the social issues. We recognise that people who are digitally savvy are better able to manage their affairs. We recognise that they will have access to more competitive products if they are able to go online. There is a specific and publicly stated initiative within Lloyds Banking Group to help support 1.8 million customers, charities and businesses to increase their digital capability. We are 700,000 through the 1.8 million, which is currently up to 2020.

We have initiatives taking place in various cities, but one example is the Lloyds Bank Academy in Manchester, which helps support customers and businesses with their digital skills. We have built online capability. We are supporting younger people to build coding skills. In fact, there was an event that you sponsored at Portcullis House for local schools. We have also been accrediting people with digital skills and allowing them to help others, for example housing associations and the people who work in housing associations helping people to build their financial and digital capability, to help them manage their finances better. There are lots of tools I could tell you about, but there is a bigger issue around social responsibility.

Q245 **Wes Streeting:** There is an invitation to all of you. We are constrained on time but, if there are particular examples of best practice you want to send us as written evidence, you are welcome to do that. Finally, Monzo, is there any other good practice you wish to shout from the rooftops?

Tom Blomfield: I will keep it brief. We have talked about simple terms and conditions under 1,000 words, but there is also a more general lack of small print, both literal small print and figurative small print. I am struggling to think of something we charge for. There are no bounced payment fees; there are no unauthorised overdraft fees; there are no direct debit reject fees. Those are the things that irritated us that made us start Monzo and they are unnecessary. They penalise the poorest in society and add to the bank's bottom line, and it is entirely possible to run an account without them. This is a choice. We are removing the small print.



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Financial education is important, so we produce a lot of financial education content, which has been consumed by 300,000 people in the last 12 months. An area we would like to do more on is debt management—people who are in arrears or a collections process. There is not a great joined-up approach between creditors often, and we can do a lot more. I look forward to that in the next 12 months.

Q246 Chair: Does Monzo charge people who want to put cash in their account? Is there a charge for that?

Tom Blomfield: I apologise; yes, there is. We have two fees that I should mention, both related to cash. Cash is expensive. Depositing cash is a £1 fee using PayPoint. We are in talks with the Post Office and there will also be a small fee for using the Post Office. For withdrawing cash in another country above £200 a month, again because it is expensive, we charge a percentage fee.

Q247 Chair: I have, I hope, three fairly short questions that it would be remiss of me not to ask while you are sitting here. The first is about carers and powers of attorney, because that has come up in previous evidence sessions. Again, could we have fairly swift answers if you have something particularly to add? This is just about how your branch staff, postmasters and the online service deal with people who are trying to do transactions on behalf of others, either with a formal power of attorney in place or because of the caring relationship they have. Mr Kearsley, how do you approach that?

Martin Kearsley: There are two ways to approach it. I will start with the branch and then move on to the back office. On the branch side, all our postmaster colleagues work with carers, who come along on behalf of their customers. That is a very straightforward service. In conjunction with the banks, if there are customers with particular requirements who therefore have a particular carer, we will arrange that with our local postmaster, and those services work extremely well.

In the back office, increasingly, sadly, and mostly the Post Office card account, which is the DWP service we run, that is a rapidly ageing group. Increasingly we are seeing in the back office executors, estate or even family and close ones ringing up to say, "I now need to establish power of attorney", or "I need to exercise power of attorney", now that a certain thing has happened. "How do I go about doing that?" I acknowledge right now, on behalf of that service, that we need to get better. It is becoming an increasing challenge as that group ages and, therefore, we are looking at the organisation right now to change that. We have what is called an executor section for people who are ringing up not just to get access to their account—some challenged customers do that—but specifically to handle better those particular requests by executors.

Robin Bulloch: There are varying degrees, so I will start from the most informal to the very formal and then make a general observation. Day to day in our branches and over the phone, we largely try to accommodate



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people helping customers. There will be some requirement to verify who that customer is and then we will accommodate and help. We will make exceptional payments if there is an emergency. We have third-party mandates that allow people to operate somebody's bank account specifically, and we will provide them with a card to allow them to operate somebody else's bank account with the customer's authority. We do have powers of attorney, clearly, and we are seeing an increasing number of deputyships, referred to as guardianships in Scotland. We have just developed a card facility to help support local authorities, care homes and sometimes charities transact on those accounts.

The observation I would make is particularly in the space of appointeeships and deputyships. It can be expensive to access this through the legal and other systems. It could be over £1,000 to get a deputyship and there may be an opportunity for Government, the regulator and the industry—not just the banking industry, but utilities and others as well—to find an easier way to provide appointeeships and deputyships when they are needed.

Q248 **Chair:** To be clear, it is not a cost that you are charging, but for them to get legal advice to get the appointeeship in place.

Robin Bulloch: Absolutely, it is the process to get to the point of saying, "Here is a deputyship. Would you now invoke that for this customer?"

Q249 **Chair:** Presumably the third-party mandate is something that people have to come in for to speak to the branch.

Robin Bulloch: They can use the phone, use the branch or engage with us by post. We wish to make that available digitally, but it is not yet.

Chair: It is a formal process that has to be set up with the bank. That person says, "I am now appointed to do this".

Robin Bulloch: It is exactly that.

Q250 **Chair:** Mr Blomfield, what is your experience? Again looking at the demographic, it is perhaps less relevant to you, or perhaps it is not.

Tom Blomfield: It is relevant in a different way. We have power of attorney, but it is perhaps used less than in other banks. Particularly for people with various mental health problems, without granting full power of attorney, there is a lot you can do, for example by allowing someone to appoint a trusted person to approve transactions over a certain amount. You can allow them control over day-to-day spending but say, "If I spend over £100, my friend needs to approve it to stop me overspending", or "For transactions between 11.00 p.m. and 5.00 a.m., I want to stop myself spending unless this person approves it". It is something less than full power of attorney, but allows some element of control by a trusted third party.

Q251 **Chair:** That is very interesting. Moving swiftly on to another subject—



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and, Mr Bulloch, I might come back to you on this—we are doing a separate inquiry into economic crime. We have done a large money-laundering and terrorist financing inquiry, but also on retail. Very briefly, and you might want to write to us if you have not already contributed to that inquiry, but what is Monzo's experience of authorised push payment, fraud and scams? What is happening there, as far as you are concerned?

Tom Blomfield: It is something on which we spend a lot of time. We have built technology systems that are now very robust in identifying, shutting down and returning funds to victims. Typically they are victims at other banks funnelling through a Monzo account. We are seeing a worrying rise in what are called money mules. Often a young person will respond to an advert on social media offering them a few hundred pounds to funnel stolen funds through the account. The problem is they are using their real identity, documentation and their face, and they do not realise that they are potentially exposing themselves to a criminal record. That is worrying and is something we are working hard on, but I believe our controls are now very robust.

Q252 **Chair:** Mr Bulloch, I assume this is not your area of expertise. I hope that Lloyds will contribute to the inquiry. I do not know if there is anything on the vulnerability aspect, and people who are more vulnerable and susceptible to being victims of scams.

Robin Bulloch: There are two or three things, if I may. We support the contingent reimbursement model, looking at the responsibility of the bank, of the receiving bank and also the consumer. We support that because we believe we currently apply many of the principles today. Payee notification should help as well, later this year; when people are making payments, the person making the payment will be informed if the payee name matches the customer name, if it is slightly similar, slightly different and indeed if it is totally different. That will provide additional protection.

I absolutely acknowledge that we are very concerned about push-payment fraud. It is social engineering for any number of reasons, romance scams or people intervening on large-scale transactions. We are keen to work with the industry, the regulator and Government, because this is not a source of competitive advantage. This is a societal issue and we are keen to support any further dialogue and initiatives.

Tom Blomfield: Can I add one point there on the communication between banks when a case is identified?

Q253 **Chair:** That has been identified, but it would be interesting to get your perspective. Is there an issue?

Tom Blomfield: It is a real weakness. It can often take days. We intercept a payment and try to contact the sending bank, and it can often take days to get a response. We are potentially sitting on tens of thousands of pounds that we either need to release to a legitimate customer who is looking to buy a house or refund to a defrauded



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customer. Often, we are resorting to phone calls or faxes. In the US, there is a much better electronic database, where banks can communicate much more rapidly.

Q254 **Chair:** Mr Kearsley, particularly I am thinking about people withdrawing cash and unusual transactions, your postmasters being a critical part of that surveillance.

Martin Kearsley: Supporting what Tom has just mentioned, we work closely with all the banks' security teams, not just for cash withdrawals but for cash deposits, because of these mule accounts. It is possible, if you were of that mind, to use any number of post offices to put small sums of money into the same receiving account, so we have to work closely with the banks. I recognise that there are delays and things that could be done much better, but we are genuinely good now at identifying where suspicious activity is happening. Our postmasters raise suspicious activity reports, SARs, into the security teams and we start to watch account activity. We work with the bank to say, "We think there may be 10 or 15 deposits going into one account in your bank". They will then open that account and think, "Yes, something strange is happening there", so we work well together.

Some of the defences against that to stop unknown deposits are to check the provenance of the cash. Working with some of the banks, we have started to put in place PIN entry to make deposits, so you cannot come in and anonymously just drop in cash when we have no idea where it came from. It comes in on the back of a PIN, so it means it has to be that account holder with the right card and PIN, so it has all the credentials of a safe, encrypted cash withdrawal or cash deposit. There are things that we can do that bridge the physical and the online to try to home in on those kinds of scams.

The last one is back to that community piece. A regular customer comes in who normally takes out £50 or £100. All of a sudden they are taking out £2,000, so we will say, "Why?" "I just have to buy this car from somebody in the car park down the road". "Okay, stop". We can do that kind of intervention as well.

Robin Bulloch: We do that in our branches on a regular basis.

Q255 **Chair:** That goes back to the importance of a branch network. Finally, Mr Kearsley, we talked about cash in the system. Does the Post Office notice different uses or different patterns in the usage of cash in different parts of the country? I am talking about different geographies, really. Is that something you see?

Martin Kearsley: Yes, we do. I would not say it is to do with different economic activity. It depends on the location or what is near the local post office. By Government mandate, we are within a mile of 99.7% of the population, so you are never far away from a post office. If there is a local business community nearby, let us say not a high street in a market



town, but a local industrial area, we would tend to see more cash coming into those branches as deposits, because that is the local economy. If we move into that high street area in a provincial area, you will get lots of cash in and out, so it is almost balanced in some of the market towns. In some of the more picturesque rural areas, as you might expect, it is mostly cash withdrawals with the local community just drawing their cash for their daily spend. We see differences like that, which are just situational and locational, as opposed to there being another deeper economic reason behind it.

Q256 Chair: I am asking, because this whole debate about cash and what is happening in its usage is interesting. Retaining an infrastructure to move cash around the country is vital and is something we are going to explore in future sessions.

Martin Kearsley: To add to that, it is definitely a factor. I was talking to Robin before we joined you. With bank closures happening, each individual bank is responding to their own individual set of customers and their footfall in branch. As those bank branches close, we see a concentrated increase. While banks may be seeing a decrease, we are still experiencing quite a significant increase in cash. Just to bang the drum for a second, we are the only organisation with the ability to provide cash everywhere. We will take money from the Royal Mint out to our main cash distribution centres and then distribute that out to every branch. Every piece of land that calls itself the UK is supplied with cash by the Post Office. That is a national treasure that we should value as part of the national infrastructure.

Chair: Can I thank all three of you very much indeed? I do not know if preparing for Select Committee sessions is your favourite thing to do. It is not always everybody's, but I know it takes time, so we are very grateful to you for the wide range of evidence that you have given this morning. Thank you very much.