

Scottish Affairs Committee

Oral evidence: [Access to Financial Services](#), HC 1996

Tuesday 30 April 2019

Ordered by the House of Commons to be published on 30 April 2019.

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

Questions 135 - 223

Witnesses

[I](#): Susan Allen, Head of Retail and Business Banking, Santander; Carol Anderson, Scotland Distribution Director, TSB; Ricky Diggins, Network Director, Bank of Scotland; and Simon Watson, Managing Director, Personal Banking, Royal Bank of Scotland.

Written evidence from witnesses:

– [Add names of witnesses and hyperlink to submissions]



Examination of Witnesses

Witnesses: Susan Allen, Carol Anderson, Ricky Diggins and Simon Watson.

Q135 **Chair:** We welcome you all very much to our short inquiry into financial services in Scotland. For our record, please say who you are and who you represent and anything by way of a short—the emphasis being on short—introductory statement. We will start with you, Mr Diggins.

Ricky Diggins: Thank you for inviting me to give evidence to the Committee. I recognise that the inquiry is dealing with a series of issues that concern many people across Scotland. My name is Ricky Diggins. I am the Network Director for the Bank of Scotland. I have worked for the bank for 24 years, starting on the counter in our Shandwick Place branch in Edinburgh. I have been a local director for our branches across the west coast and I have also run the contact centre in Glasgow, where our customers speak to us over the telephone, via webchat and through social media.

The Bank of Scotland has 201 branches and 12 mobile branches stopping at 104 locations across Scotland. However, because of our commercial arrangement with the Post Office, the bank has expanded the number of locations in which our customers can undertake face-to-face basic banking transactions to more than 2,000 locations across Scotland. Changes in technology are driving a fundamental shift in the way customers in Scotland and in many other parts of the world choose to buy goods and services and these changes are also affecting how they choose to bank.

The Bank of Scotland now has more than 1 million online customers and our branch network is changing as the bank responds to the new world, but we are adamant that the branch network will remain an important part of our business. More than 90% of our customers in Scotland live within five miles of a branch and we expect to have the largest branch network in Scotland for the foreseeable future. I believe that we are reshaping our network in a way that is thoughtful and considered. Since 2014 the size of the branch network in Scotland has reduced more slowly than the rest of the market.

Of our closures in Scotland to date, nearly half have been overlapping branches, those within two miles of another branch. As an issuer of bank notes, the Bank of Scotland understands the continued importance of cash to individuals and to business. That is why we do not close branches where we have assessed there are not appropriate alternatives for cash access and why we are working with Visa on a new cashback scheme.

I wanted to finish by saying that I recognise that this is a period of change that we are going through and it is unsettling for many of our customers, particularly the elderly. My colleagues work hard to help those customers to benefit from the new digital economy we are all living in.



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Carol Anderson: Good morning, Chair and Committee. Thank you for the invite. I am Carol Anderson and I am the Branch Distribution Director for TSB. I have been in retail banking for 40 years now, having worked in every role possible in the branch. Part of my normal week is to visit branches, which are the heartbeat of our business and still very important to us. That helps me stay close to our colleagues, our customers and what is happening in the local marketplace. We have a very strong footprint in Scotland. We have 155 branches and it is just under a third of TSB's business, so it is a very important part of the TSB story. Of the population, 70% live within two miles of one of our branches and we also have circa 170 ATMs to provide access to cash.

I think as the backdrop to today, we are the generation that is being looked at to find a solution here on how we move forward. It is recognising our heritage—and all of us here will have a strong heritage in banking—and for TSB it is over 200 years. It is about making local people have a choice in banking.

When I worked in branches, I remember the days of there being queues out the door because the branch was the only choice for customers, but that has been overtaken by technology and the way we lead our lives. It is important that while we recognise branches are important to customers and communities, we also have to reflect what we are seeing with the other generation, so being respectful to our history, managing the present and looking forward to what will be needed. I am looking forward today to sharing more of our story and to help come up with some of the solutions and the thoughts as we work through this path.

Susan Allen: Good morning, Chair. Good morning, Committee. My name is Susan Allen. I am the Head of Retail and Business Banking at Santander. Like other colleagues on this panel, I have been in banking, and in particular in retail banking, for many years. I started in another bank about 30 years ago, also in a branch on a till serving customers, so I have seen first-hand the many changes, but I have also seen the things that have not changed and how important the banking branches are within communities. For me, branches remain a vital part of our proposition, the way we serve our customers across the UK.

In Scotland we have a plan to have a network of 45 branches. We are reducing down from 60 with some changes recently announced, which I am sure we will talk about, but I personally remain very committed to branch banking as part of the way we support our customers. Their needs are changing, so it is also important to make sure we provide customers the right services on the telephone, our UK-based contact centres, including one of our key contact centres based in Glasgow, but also through the ATM, digital and mobile banking and making sure that we are providing all of our customers access to their finances and helping them and supporting them.



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I spend a lot of time out in our branches and contact centres. In the last couple of years I have visited just short of 200 of our branches and spent time with our customers, talking to them and getting their feedback and also seeing how well our colleagues support our customers day in, day out. I have been into our contact centres and listened to the calls and listened to how we are supporting customers and the things that we need to do to make it even better for them. I am really committed to how we support our customers. I will be delighted to hear your views and thoughts and thank you for the opportunity to be here.

Simon Watson: Good morning, Chair. Good morning to the Committee. I am Simon Watson. I am the Managing Director of Personal Banking at the Royal Bank of Scotland. I know that the Committee has already heard evidence in particular around the change to banking and in particular the use of cash. Our view is that we are a long way from being a cashless society. We are undoubtedly a less cash society today. At the Royal Bank we are committed to ensuring free, consistent and open supply and access right across Scotland. At the moment we run a network of 700 ATMs. We have kept ATMs in areas where a branch may have closed and there was not a free-to-use one in close proximity and we continue to invest a lot in the ATM estate and to make sure that customers have access to that.

I am sure we will talk today about the changes that are going on with the ATM estate and the relationship that has to branches. From our perspective, our customers today, like other banks, the points of presence and the points of service have increased in the last five years, so there are three times as many points of service today as there were just five years ago. That includes our mobile branches, community bankers, our core branch network and access to the Post Office as well. I agree with Carol that while people are better served with more points of presence, we need to keep a close eye on making sure that that is inclusive of all of our customers and I look forward to talking with you about that today.

Q136 **Chair:** I am grateful and thank you for the very concise opening statements. One of the things that we have found in this inquiry is that we have been inundated by views from members of the public who have taken a very critical role on the removal of the branch services within their community. First of all, are you aware of the devastating impact the closure of the local branch has on certain communities? What sort of response do you give to people who come to you with their concerns about their own personal banking, their own business and their ability to deposit cash when they need to service their business? What do you say in response to some of the concerns that you have heard from constituents of ours around this table about what happens when branches are closed in their communities? We will start with you, Ms Allen, given you are most enthusiastically shaking your head there.



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Susan Allen: I think it is very difficult. First of all, I say that no decision to close a branch is taken lightly. I know they are the sort of words you read in press releases, but it is absolutely true. We spent a lot of time reviewing our network before we made any decisions to close any branches.

To give you an illustration, we looked at something like 110,000 different datapoints, looking at how branches are being used, what the alternatives were for customers, what customers were telling us about how they wanted us to invest their money and whether there are alternative services nearby. We used lots of different bits of information to make a decision as to whether we could continue to support branches in different locations or not. When it came to making the final decisions, for any decisions that were marginal we absolutely decided to stay, because we know it does have a huge impact on the community. A number of our branches are not that far from other branches, but even still a few miles can be very difficult if people have to go on public transport. We do not take any of these decisions lightly.

When we make a decision to close, the first thing we do is let the members of staff know so that they are aware before we announce publicly, but then immediately we will start to tell our customers. We work particularly hard for any customers who are vulnerable or have special requirements and needs to make sure that we support those customers. Once we have made a decision, the whole focus is on how we communicate with our customers, how we understand how we can support them through the transition and how we help mitigate the impacts for the customers.

To give you an illustration, we have pulled together lists of all of those customers of each of the affected branches where we think they might have particular needs. We then personally reach out to every single one of those customers. So far, for the 15 branches in Scotland, we have managed to attempt to contact 90% of all of the customers on the lists and we have made contact with over 80% of those customers. They are centrally produced lists but also from the branches themselves saying, "I know that there are some customers who are vulnerable who come in here regularly".

Q137 **Chair:** I know you want to tell us about that, but that was not my question. We will come to how you are serving vulnerable customers in the course of this inquiry, but I just want to get a sense about your awareness of how communities are being impacted around this, so thank you for that. We will come back to that.

I will come to you, Mr Watson, because all this started of course with our short inquiry into the 62 branch closures that was proposed by RBS. One of them was in my constituency in Aberfeldy, where we now have a situation where there are businesses refusing to accept cash because of the difficulties there are in the common usage of cash and being able to bank it. I am looking at this, which shows "not spots" where there are no



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branches available within large swathes of Scotland. Surely that is unacceptable for somebody who has a corporate responsibility to provide banking services to their customers and to communities. Surely there cannot be areas where there just is not a banking facility available for miles and miles and miles.

Simon Watson: In terms of the process, what do we do and how do we respond to customers both leading up to and then after a closure, the banking standards say we should give three months' notice. We listen to feedback and we extended that to six months. That gives us more time to speak to more customers about them adjusting their ways to bank. The goal is to leave no customer without access to the services that they had when a branch was there.

The team of community bankers that we have now in 69 different communities across Scotland have conversations every day, which vary from conversations with business customers about the best way for them to manage cash, to the conversation that one of my team shared with me yesterday about supporting a lady whose son had given her a phone and she did not have the email to get to the App Store for the app. We are working on an individual basis with customers to support them in a world that is changing around them very quickly.

It is not just banking and there is not a kind of blanket response to how we respond. I think we respond locally and in the best way possible for those customers. In the instance of the business not accepting cash, I am not aware of the specific circumstances but I would be very happy to look at that one.

Q138 **Chair:** I will pass that on to you, because it was quite newsworthy in my constituency.

Do you accept, Mr Diggins, that Scotland has been disproportionately hit by branch closures—is that something that you have seen and is your experience?—and that this has a disproportionate impact on vulnerable consumers, particularly those in rural areas?

Ricky Diggins: If we look at the makeup of Lloyds Banking Group, the share of branches in Scotland has stayed consistent over the last four years, so it has not been disproportionately impacted. As I stated in my opening statement, 90% of our customers live within five miles of a branch. When we look at reshaping our network as we respond to changes in customer behaviour, we do it in a very thoughtful and considered way. We would review alternatives that are available to customers, whether that be through the Post Office, access to ATMs or whether we should introduce one of our mobile branches. We have introduced mobile branches in and around about a third of the branches that we have closed across Scotland and we will continue to be there to support vulnerable customers. Vulnerable customers will choose very different methods depending on the vulnerability and we will work with



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them individually. Many of them are less mobile and telephone banking is a better option for them.

Q139 Chair: Again, we will come on to this. I am just interested in the general picture around communities, the people that we represent, who are asking us to ask you these questions, so if we could stick to that. We will come to the alternatives and we will obviously want to hear your views on that. I am sure we have a number of questions on these things.

Ms Anderson, you are probably aware of the Which? report that came out today with a whole range of views about trust and particular issues. What we have found is that throughout the UK trust in bank services is at 45% but in Scotland it is down to 39%. Presumably that tells us that there are particular difficulties in Scotland, that we have been disproportionately impacted, regardless of what Mr Diggins might have to say about this, and that, because of our topography or geography and the way that we have to serve real communities, this is having a bigger impact on Scotland than the rest of the UK. Is that something you recognise?

Carol Anderson: I think for customers and businesses it will always be emotive where a bank decides to close and pull out. We recognise that and we go through the same consultation and reaching out to customers as the other banks. If you look at the approach that we have taken where we are doing the reduction in hours, the bank tends to be making changes as a result of the other things that have happened in the high street. The decline of the high street has happened long before the bank pulls out or takes action, so they have been impacted as well.

With the reduction in hours, what we are saying is that we are staying and we are open for business, but we need to work together locally and get support. When other banks close, we do not find that customers switch—they find an alternative way to bank. That may be the Post Office, travelling to their nearest branch or going online or by phone. They are not switching banks, so it makes it more difficult for us to create that vibrant high street and stay in there. We would ask the Committee as well to be thoughtful of what else we need to do to create that, where we can stay in these places.

Q140 Chair: We will come to the issues about how we can replace some of the services that have been lost, but I wanted to conclude the opening remarks with Mr Watson, given that this all started with RBS. What have you heard back from your customers where these closures have taken place? We know that Mr McEwan is now moving on. When that was discussed, there was a suggestion that there had been a loss of confidence in some of the operations of RBS around the closure issue. What are you hearing from customers about what has happened in these communities?

Simon Watson: There is what I am hearing and then there is also what impact assessment we do after a closure. Once a branch has closed, we do two things. First, we make sure that we maintain representation in the



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community in some way, shape or form, and that may be through a mobile branch or community bankers or business growth enablers, so we keep a footprint in the community. That may be on an ongoing basis and it may be just to make sure that we are not missing anything.

We then also look at how customer behaviour has changed, so are we missing anything? We look at how they bank, what channels they are using to bank, how many of them might be choosing to use another bank or how many of them might be choosing to use the Post Office, for example, and how many of them are using online. That gives us more insight into whether or not there is anything that we might need to follow up on. I understand that it is a very emotive topic and it can feel like a forced change to routine, which is why we give six months' notice, to give people as long as possible for us to support them with different ways to bank.

On the whole I would say that there are often cases where different ways of banking can turn out to be much more convenient for customers. I am not saying that that is the case in every situation that I have come across, but in every situation where we have found that it is not, we have someone else or something else available to have a conversation with those customers about how we can better support them. It is a difficult balance to strike, we acknowledge that, and our job is to make sure that we have people available to speak to them to support them through that.

Q141 John Lamont: Good morning. With customer numbers falling, why do you automatically decide you need to close the branch rather than looking at alternative services that might entice people in and try to increase your numbers? It just seems that your automatic default position is to shut or reduce your hours rather than finding alternative services to entice people in.

Carol Anderson: I do not think it is a knee-jerk reaction. If I look at the branches we have considered, this has been a decline that has gone on for several years. It is not something that has just happened. In a lot of cases, if you look wider at those communities, there is also a decline going on in the high street where there are not as many businesses, there are empty properties and customer behaviour is changing. It is not a knee-jerk reaction. We will similarly help customers bank in different ways if that is the right case, but I think the switching inertia and all of that just makes it more challenging to find the right pathway.

We have adopted reduced hours as opposed to closure so that we still give access to the physical presence of a branch and we can work with customers, but we also want to work locally to say, "If the branch is so important to that community, what can we do together to sustain it?" We can offer products and different classes. We go out and do fraud awareness, we help them with digital skills, all of that, but if customer numbers are still declining, it makes it difficult.

Q142 John Lamont: I get that, but that is not really the answer to the



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question. My question was: what additional services have you perhaps considered offering to customers to try to entice more people in? What have you tried to do to encourage more people through your bank doors?

Carol Anderson: It tends to be products, the services we offer when they come in.

Q143 **John Lamont:** Which additional services? With these falling numbers, what have you thought to yourselves might attract more people in?

Carol Anderson: We help with digital, we help them with fraud, we help them meet other like businesses, so we will have businesses in. We have partnered with Enterprise Nation, which is about growing your business, to help businesses thrive, which then hopefully will bring more customers in. We have now partnered with Square, which enables businesses to accept contactless payments as well. Again, that will grow their market and help more customers shop with them, which should help the economy.

Q144 **John Lamont:** Do you think those measures are going to increase your customer footfall?

Carol Anderson: We are trying everything we can at the moment, unless—

Q145 **John Lamont:** Do any of the other members of the panel have—

Susan Allen: I said at the outset that I am very committed to branches and I do think branches have a real role to play in communities. One of the things we are investing in is more community spaces, obviously not in the branches we are closing but in the branches we are keeping in Scotland. We have committed to spend another £7 million over the next couple of years creating community spaces.

What we are trying to do is create in those branches a bit of a hub, a bit of energy. Similar to some of the other banks, we ran last year something called scam avoidance schools, which we are running now throughout the year, and 20,000 people attended those. They were customers and non-customers. It is helping to protect customers to stay safe online. We are running first-time buyer workshops. We are going to run a suite of sessions on budget management, helping people, particularly those who are struggling to manage their money more effectively. I see that role of a bank in the community as a place where people can come for free advice and guidance, to help people in their financial affairs. We are trying a number of things.

Similarly, with small businesses we offer our banking hall as a place where small businesses can come and do pop-ups. People starting out sometimes do not have a physical presence themselves. Being able to come in to use our branches gives them that option. We run master classes for small businesses; we connect small businesses together. We are trying to create something that brings some vibrancy and life back



into the branches. When we look at the whole of the network, it does not necessarily work in all of the locations, but we are investing. When we announced our closures, we announced a total of £53 million would be invested over the next couple of years to create these community spaces.

We are testing a new concept in a branch in Leeds, which is a café. It has been tried before but we are going to try it again. I think all of us feel committed to having a branch network and we are actively trying to find ways to create that vibrancy, but unfortunately in some communities—and I have been to some of them—the high street I am afraid has gone. Even if we start to put these things in, our judgment is that it is not going to bring volumes of people back into the banking hall. We are trying really hard—all of us, I think—to try different options.

Q146 David Duguid: During that exchange with my colleague Mr Lamont, I have come up with a different question to the one I was originally going to ask, because, Ms Allen, you said the high street is gone. You talked about the high street decline impacting decisions to shut down banks or to reduce hours in the case of TSB. But in all your efforts to work with the communities, can any of the banks give the Committee examples of what you have done with the local community to try to halt or slow down that decline in the high street or to regenerate the high street? I just do not accept that the high street has gone.

Susan Allen: I am thinking of one example. I was with our team in Morningside and seeing how well they worked with the local community, and many of our branch directors will be involved in local small business associations, and we work with organisations trying to regenerate the town centres. I think you will find many of our local branch directors involved in those local efforts to try to regenerate high streets. I am not saying that we are not keen to try to work and try to help. We are actively involved in many of those communities with small businesses. I walked down with the branch director in Morningside and he could name every single one of the small businesses and people were coming up and talking—not necessarily our customers, by the way, but it is in all of our interests to have a thriving high street.

I suppose what I was reflecting is that in some of the locations I have gone to, despite the best efforts of many people, it is very hard to see how you can make progress. But I definitely do not give up on this. I think all of us have an obligation. The way people live, the way people shop, the way people work is changing, but it is in all of our interests to have thriving town centres for all sorts of reasons and we are very committed to helping that.

Q147 David Duguid: I think we would all agree that things change, technology changes. There are various drivers for the changes being made and decisions being made by banking services like yourselves, but do you also accept that by shutting down banks and by reducing their hours that that adds to the decline? It just accelerates the process if businesses cannot access a banking service to handle cash, for example.



Susan Allen: I should say in our case, our business customers do not use our branches. We have had an arrangement with the Post Office for many years. They provide a great service to our business customers and so Santander business banking customers have always used the Post Office to pay in cash, so there is not an impact on business banking when we make any changes.

Carol Anderson: We have done the same as that. We have an agreement with the Post Office, but the partnership with Square helps the local businesses because it widens their market that they can accept. It is the same with Enterprise Nation, because that is like what Susan was saying—we offer the hubs where they can come in and get advice on their business. I was speaking yesterday about the case in question, the Aberfeldy customer. That was a bit drastic, I suppose, for a business to say, “I no longer accept cash” but he has found that his business has not suffered and because he is no longer having to bank cash and deal with preparing it, he has longer to spend in his business.

I think it is recognised in everything that is going on, but in the branches where we are reducing hours—and I have been out to them all as well—the staff are waiting a large part of their day for the next customer coming in and it is dead time for them. It is a difficult situation for us to work through, but our commitment is there, that if we can make it work we will stay, but there are economic challenges to it.

Q148 **David Duguid:** Can I go back to the original question? I think, Ms Anderson, you mentioned earlier on that customers are unwilling to switch if one bank closes. The situation in my home town at Turriff is that TSB has just recently announced it is going down to two days a week, I think it is, and RBS last year closed, but we still have a Bank of Scotland and a Santander and a Clydesdale Bank, so we are quite fortunate in that respect. But I wonder if you can tell me a bit more about why people are not taking advantage of what I have found myself to be a fairly easy process of switching. As banks, when you are closing down or reducing hours in a particular community, do you encourage your customers to switch to another bank?

Carol Anderson: I was in Turriff this year. I was there all morning and we had two customers in. The staff in there are great, they know their customers, they know their local market, but nobody is switching, so you are looking after your existing customer and finding that number has gone down. When we close—and we have not had many closures—we would look at all options. Is there a Post Office and is that the right option for that customer? Are we leaving free-to-use ATMs? If we cannot meet the needs through our other branches and it is right for the customer, we will talk to them about switching, so we will walk away from that.

Chair: I know we have a big panel here today and we are grateful that we have all the banks or most of the banks that we can speak to, but just for colleagues, if supplementaries can be shorter and directed to whoever



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you want to respond, because we are only on to question 2 and I know Deidre is desperate to get to question 3.

Q149 Ged Killen: I wanted to ask this before we move on to the next point. A number of you have raised this idea that when you close a bank branch there is another one within so much of a distance. I am fortunate that all of your banks are represented still in my constituency, but you are all concentrated in one town, Rutherglen, just outside Glasgow, and you were represented throughout the constituency at one time or another. People in Blantyre, for example, who were RBS customers were told to use the RBS in Hamilton, which has now closed.

What I am wondering is, when you are making decisions to close branches, am I going to hear soon that there is a series of banks closing in Rutherglen because they are just outside Glasgow or are you taking into account the closures that have already happened? Are Bank of Scotland customers who are now being told to use Rutherglen instead of Burnside shortly going to be told, "You are only an eight-minute journey on the train to Glasgow"? Are the goalposts being moved all the time or are you looking at the cumulative effect of these closures?

Ricky Diggins: From a Bank of Scotland perspective, we will continue to review the market and we will continue to review the alternatives available, so if there are changes to banking facilities within those local communities, we would factor that in. We will look at a range of data and look at the local market. Colleagues from the bank will get into those local communities to look through the eyes of the customer to understand the alternatives that are available, whether that be through the Post Office facility.

As we closed the branch that you recently referred to, we worked closely with the local Post Office and invited them into the branch in January of this year and worked with the local customers to get them used to the transition for those customers who wanted to use the Post Office. We will continue to review all of the changes, all of the impact, all of the data, but it is really important that we get into those communities and understand the alternatives that are available.

Carol Anderson: We are the same as that. I think from all of us, we take it very seriously and we make sure we put the customer at the forefront of the actions we are taking. Yes, we do look at the cumulative, so we will constantly review the business case, but we will look at a previous closure where we are referring customers to.

Susan Allen: Similarly for us, when we are making the decisions on any branch closures, we do look at all the alternatives, both our own branches but also the branches of other banks and the Post Office and ATMs. The announcement we made this year was quite unusual for Santander in terms of the scale of closures we announced, but one of the reasons for that was when I looked at it, what I did not want to do was close a smaller number this year, have customers move to another branch and



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then close that in another year or 18 months' time. I decided that it would be fairer for our customers to be really transparent about what is happening, therefore we are not doing a drip-feed. We did an announcement that was quite material for us and we have said that we do not plan any more closures in the foreseeable future.

Simon Watson: Similar to Santander, I appreciate the frustration of previous years, where we closed a branch and a customer has been moved to another branch and then it has subsequently been updated maybe a year later that that branch is closing, so we wanted to avoid that to give customers clarity and certainty. We are very happy with the shape of the number of branches we have today and we have no plans to review our network. We have made the commitment until at least 2020, but we are not planning any other changes to the branch network in Scotland.

Q150 **Danielle Rowley:** We have mentioned earlier about Post Offices and particularly business customers using Post Offices. Am I right—and do correct me if I am not—that Post Offices have a limit on the amount of money that you can put in? If so, has that affected your business customers? I am particularly thinking about what the Chair said earlier about businesses not accepting cash and if they are not able to deposit large amounts of cash. Has that been an issue at all?

Susan Allen: In our business, customers have been using the Post Office for many years. As I say, Santander has never had the business cash in the branches. We do get occasions, particularly if we are taking on a new customer or they have grown that the local branch has certain limits, but we find that in working with the Post Office we have been able to resolve those customer issues. I am not saying that there are not issues, because there are from time to time, because certain Post Office branches will only have certain amounts of cash they handle, but over time we have been able to work very collaboratively with the Post Office to solve those issues for those customers.

Carol Anderson: Again, to support Susan there, the limit depends on the type of Post Office, but again, we are at the smaller end of businesses. What we have found is that even businesses are working differently now and recycling a lot of their cash, so they are spending less time coming out of their business to bank. But things we do to help them is we give them deposit packs so they can come in and would not have to wait in the branch to be served, so it is less time, and there is the partnership with Square to enable them to access more contactless as well.

Q151 **Deidre Brock:** We are hearing about reviewing alternatives, creating vibrancy and hubs and other efforts being made to mitigate some of the effects of these closures, but banks are basically just giving up on their local communities and their high streets, aren't they? This is all really just about the financial savings that banks can make as a result of these bank closures. Can you tell me, perhaps starting with Mr Watson, what



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financial savings you are making as a result of your decision to close branches in Scotland?

Simon Watson: Closing branches is not about saving money for the bank. When my colleagues were before this Committee previously, I think the total savings or the reduction was about £9 million, but the amount we are investing in the branches was £12 million over the same period. If we have branches where we have very low customer usage and we are seeing customers move to different places for a variety of reasons, whether that is things are moving out of town or to shopping centres and we are relocating a branch, the branch that we put in there is usually bigger, it offers more services and more flexibility and it will also offer a wider range of services. It is investing in the other services that you can—

Q152 **Deidre Brock:** But why aren't you investing in remoter areas, such as Sutherland, where my parents-in-law are? I know Ms Jardine and myself have spoken quite a bit about the rural areas. You are not investing in those particularly.

Simon Watson: We have increased the number of mobile branch shops by 10%, so we have invested in—

Q153 **Deidre Brock:** I am sorry to tell you, I do not think local communities are happy with that.

Simon Watson: The customer feedback is not perfect on the mobile branches, but they have been serving different communities for around 70 years. In addition to that, we have 69 communities now served by our community bankers. Again, the feedback that we get from customers is that having somebody there—sometimes in their home and sometimes in a place where they are residing, whether that is in a community centre or even in fact in a Post Office—is really beneficial for them. The investment in the branches and the network and the business overall is just changing shape rather than it being any less.

Q154 **Deidre Brock:** Yet people in rural areas are really unhappy about this. I can tell you that, because I was just up there recently speaking to people in Sutherland. What is your answer to that? I do not feel that the banks are being responsive to people's needs at all.

Simon Watson: From the customers that I have spoken to, I think some feel we can definitely continue to provide a better service. Some of the customers I have spoken to up and around the North Coast 500 route, for example, have been delighted with the support that the team have given them, whether that is a business growth enabler than enables them to continue to run their business better, that advises them on new banking services, or whether that is the postmaster who tells us that the increase in his customer numbers has ensured his Post Office stays there. It is a mixed picture.



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I am not saying that it is easy at all and we do our very best to support all of our customers in every community, be they rural or urban. We are definitely investing in the range of services available to customers. It is certainly the case that in terms of points of presence today, there are physically three times as many places you can go to do your banking in Scotland as a Royal Bank customer than was the case five years ago and you have the advent of when those people that prefer to use technology can do most of their everyday banking needs from wherever they choose.

Q155 **Deidre Brock:** Mr Diggins, could I hear from you?

Ricky Diggins: If I look at the shape of the Bank of Scotland network, around 17% of our branches are serving rural communities, which is reflective of the Scottish population. We continue to invest in our branch network and we are looking at different formats to continue to serve those communities. I have been out on a number of our mobile branches across the west coast and down in the south-west and the customers that I have spoken to really value the service that is being provided.

Q156 **Deidre Brock:** They value it because they have no other service; isn't that the case? There is no bank open, so they have to value it because it is the only thing there.

Ricky Diggins: When we look at those rural communities, we look at the alternatives that are available to them to ensure that customers still have access to cash. We continue to support with digital education and I have colleagues going out into local community centres and libraries supporting with those initiatives so that customers can benefit from this new digital age that we are all living in. This is about responding to what we are seeing over the last year. Transactions have declined by about 15%. Four years ago, two-thirds of the products that customers purchased were through the branch network. It is now down to a third. There are fundamental changes that we are seeing, not just within the banking industry but across the wider service economy.

Q157 **Deidre Brock:** We have heard bank closures defended recently on the grounds of the fact that they are responding to changes in consumer need. How confident are you that you are responding to changing behaviour rather than forcing changes in behaviour? That is certainly something we have heard from witnesses in this inquiry.

Ricky Diggins: I think the statement that I just made about what we saw four years ago is that the majority of purchases—about two-thirds—were through the branch network but we have seen a real shift in that. It is now down to a third that are purchased through our branch network, with more and more customers choosing to purchase through either the telephone or online. This is in response—

Q158 **Deidre Brock:** Isn't that because the other option is not available to them anymore?



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Ricky Diggins: The closure programme that we have gone through has had very minimal impact on the purchase of products. If we look at the closures to date, about 50% of those are overlapping branches, so within urban areas where there is another branch alternative within two miles. This is about responding to what we are seeing across not only Scotland but across the world.

Carol Anderson: We are below the Scotland average for closures. Over the last five years it is 20% and even with that we still have a strong footprint in Scotland. The approach we have taken this time—and this is a decision I make based on the local information and me being out in branches—is that by staying there, we can still help our customers, so they know the branch is going to be open all day or several days that week and then we can work with customers to find the best route for them. But to say we are leading customer behaviour—we do this after a lot of serious consideration and over a sustained period of time. It is not something that we do quickly. These branches would serve in a week less than our busier branches in a day and it is really important that we make changes that keep the customer in mind but make good business sense as well.

Susan Allen: I would agree. Branches are important and they do still remain important to us, but the way customers are doing banking is changing. There are huge swathes of our customers who have never set foot in a banking branch. I accept there are other customers who are in a banking branch almost daily and for whom often it is their only sort of contact with somebody else, so I do recognise that aspect of the business as well.

But increasingly customers are choosing to deal with this, for instance, on the phone. We get 24 million calls every year into our UK-based contact centres and we are doing more and more on the phone for customers. To be honest, I sometimes go into our branches and see particularly some of our elderly customers who have come into town on a rainy day on a bus with their shopping trolley and their passbook and their ID to come into a branch to do something and make a payment that they could very easily have done at home. I think we have a responsibility to help them to find alternatives that might be easier for them to do, rather than trailing into town to come and see a bank branch.

When I look at the branches in Scotland over the last three years, the transactions over the counters have dropped by 34% and that is not us pushing customers out of the branch, because we are delighted to see the customers coming to our branches, but the way customers bank is changing. In the branches that we are closing, over 90% of customers already bank with us in a different way. That could be on the telephone, mobile, through the Post Office, and 90% of the transactions that are done in bank branches can be done within the Post Office network.



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I would not say that we are at the leading edge of technology either. I think in some ways we are very slow in following the way customers are changing, the way they are living and the way they are doing more and more online with their shopping and their utilities and so on. I do not feel that we are pushing customers into other channels, but I feel we have to respond.

One point I would make is that we are not looking at branch closures as a cost-saving exercise, but we are refocusing our investment into other areas that customers want us to invest in. I have had feedback on the areas customers would like us to make available on mobile banking and I need to find the funds to invest in providing those services, but we are also investing £53 million in the network to create community spaces, £7 million or £8 million of that in Scotland, in the next two years.

Simon Watson: I think the point on customer behaviour is not customer behaviour in banking. It is true that we now live in a world where a majority of people are very used to going online, seeing something, clicking it and having it arrive at their doorstep the next day and then picking a slot for their shopping to arrive at their house. This is both rural and urban. The expectation of banking for our customers is that we follow suit with a similar level of convenience for them.

In the branches that we have in Scotland, even after what was a significant round of closures last year, transactions are still falling. I do not think we are ahead of what customer expectation and demand is. I think we are appropriately lagging it and following a customer trend, which is them choosing to do their banking in a way that does not interrupt their lives and just makes it as easy as possible for them.

Q159 **Ged Killen:** Ms Anderson, you said in your opening remarks that you remember a time when branches were queued out the door but technology has changed that. I remember a time when TSB Banks were queued out the door when they had a massive IT failure. What happens when you are reducing your footprint across the country when—and usually it is when and not if—there is a failure like that and customers cannot use the technology?

Carol Anderson: The migration was a big impact. It was a massive IT migration, the biggest in Europe, and I am glad we have done that. I would like to take the time to apologise again to customers for the disruption and thank them for their loyalty, and the same for our staff because they got us through that year.

However, what we did learn from that was two things. When I was at the Economy, Jobs and Fair Work Committee, we learned that it was just as well we had that footprint because we were able to service customers. The second thing we learned was how dependent our customers were on online banking and telephone banking, so that increased our awareness of that as well.



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We are now through that migration and our service is back to normal pre-migration. We have dealt with all our complaints; that has all been done. We are now in a position of growing the IT capability and the capability for customers, which is really important because their behaviour is informing us on that. I think that now is the right time for us to look at that, but that is what we learned, how much they were dependent, because if they weren't, we would not have seen them. For a lot of them, that was why they came into the branches, because they needed that help face to face, but as we have recovered, we have seen footfall drastically go down because they are back to using their online banking.

Q160 Ged Killen: I have been encouraged to hear what has been said about trying to be in the community to make sure that customers can transition to use online if they are not comfortable with doing that, but technology and barriers to technology are not static. There will be a new generation of smartphones. We have heard in this Committee before that we are all going to have chips under our skin at some point. There will always be people who cannot use that sort of technology. You are more than just a retail business; you are a utility. What are you going to do to fulfil your commitment to customers that they will be able to use whatever emerging technology there is in the future when you are no longer in the communities?

Carol Anderson: We do run education sessions for the customers at the moment. We have iPads in the branch so we can show them on the iPad. We encourage them to bring their own device in so that we can work with them. We also acknowledge that for some customers once is not enough. They come back several times for us to help them again and show them how to do it. We are committed to doing that and even with our programme at the moment, this pilot of doing the reduced hours to see what works, the other bit we forget is that we are still there but we are also increasing hours in the branches where customers do go. We have even more resource and more technology where we have heavier footfall and again we can help customers. That gives an additional option.

Q161 Ross Thomson: My questions are to Carol Anderson from TSB first. TSB has announced that it is going to be reducing the opening hours in 71 branches across Scotland and closing four branches across Scotland. One of those closures is in my own constituency, the Holburn Street branch, and we are seeing reduced hours in the branches of Culter, Kincorth and Torry. First of all, can you tell me why you decided to reduce hours? Given that in a previous answer you said that the customer is at the forefront, are you aware of what the impact will be on customers if they are going to see reduced hours?

Carol Anderson: I think that it was reported as 71 in some coverage; it is actually 72, just so that we are clear on that one.

Holburn Street is less than two miles away from our flagship branch at St Nicholas in Aberdeen. We heavily invested into Aberdeen. It was over £2 million and it was always our plan for the surrounding branches to go into



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St Nicholas. That was in the plan, which we delayed last year. We did not do any closures at all last year, and then we have relooked at it. The other branches you mention are all within a close distance of different branches. Kincorth is part of a shopping centre, again a couple of miles away from the city centre. We have not taken an easy option here because in a lot of respects for a business there is less work involved in closing a branch than there is in reducing hours. Again, we want to work with customers because for some of these branches if we can turn them around and have an impact we can increase our hours. That option is there because we have kept the branch, whereas if we had closed we would come out.

However, in saying that, we have done consultation with the union and have had meetings with staff. The staff were receptive to this because they thought their branch would close because it was so quiet. I think that it gives us the opportunity to work locally to see what we can do. It has been well received and customers have received it well because they are saying, "At least you are staying open". We have to work at this. We do have to work at it because the economics behind it mean that we need to drive business.

Q162 **Ross Thomson:** Following that, two things. We saw the previous year with RBS the swathe of closures right across the country. It would be interesting to find out why it is you took a different approach, because you have not done that, you have looked at reducing hours. I understand and I have heard from people who are concerned that a reduction in hours is just the thin end of the wedge—that it is just the first step towards closure. When you talk about that engagement and trying to turn things around, how realistic is that and what will you do to try to turn these things around? I know that in one of the answers to a previous question you talked about dead time in some branches. Having worked in a bank branch, I know that there is not a lot of dead time. You can be training, you can be on the phone to get people into the branch for appointments with the mortgage adviser, the banking adviser or the financial adviser, so there are things that can be done in branch to try to bring people in. What would you try to do to achieve that turnaround?

Carol Anderson: We do all those things. That is part of our normal day. What this will do and will help us with is the branches should become busier on the days they are open and should be healthier both for the customer and for the partner—which is how we term our staff—as to what that day looks like. If you are busier, you do naturally have more energy and more engagement.

For us, it is about working with the branches round about to see what else we can be involved in. We are creating the likes of a hub, so these surrounding branches with St Nicholas, and what we can do with local businesses, so bringing businesses in together, what we can do in the local community, how we can support them, what the other things are that we can do. The same with the switching: how do we get customers



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to move to us? What else would need to happen and how can we make that work?

We are open for any suggestions if anybody thinks that we are missing things. We have had several meetings with local communities and the Chamber of Commerce just looking at ways we can do things differently. We are a different bank and that is why we have chosen not to close and to try something different.

Q163 Ross Thomson: I do welcome the fact that you are keen to engage with the local community. I welcome anything that we can do to work together in those areas that are going to be affected to engage with customers and constituents.

Now my question would go to RBS. We have just heard from TSB about how by reducing hours we can try to look at turning things around and changing behaviour and saving some of these branches. Why was that never an option for RBS? Why did all these branches and so on close last year without the opportunity to do something like this?

Simon Watson: Over time RBS has explored many different approaches to the way in which we can sustain different parts of the branch network. Opening hours has been a feature of some of the changes that have been made in recent years. As I said before, we had probably got to a point where we had tried to keep pace with customer shifts in behaviour only to find that the customers had moved ahead of us. That meant that we had probably given customers the unfortunate situation of moving them to one branch and then moving them to another. We tried to get to the point of clarity on the number that we had, where they were, and then ensure that that was fixed for as long a period as is possible. That was just the approach that we take, but we have looked at a range of other options in the run-up to that through different changes we have made to the network over recent years.

Q164 John Lamont: My question is back to Carol Anderson. Three of the 72 branches where you are reducing hours are in my constituency: Hawick, Kelso and Jedburgh. I have to say that I am struggling with your methodology in trying to encourage more people to use your bank by restricting access, which is basically what you are doing by reducing the number of hours that the banks are going to be open to customers. I do worry that it is just part of a prelude to shutting the branch, which is what the Federation of Small Businesses in Scotland has said. It is of the view that this is just part of a transfer in terms of reducing hours, reducing access, and eventually the branches will shut. Can you give the Committee any examples where either your own bank or other banks have taken this approach of reducing hours, which has then resulted in more customers coming in, which has then resulted in the branch being saved?

Carol Anderson: Other banks?

John Lamont: Other banks, or indeed your own bank, where this



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approach has been adopted. In other examples, other banks in my constituency that have adopted this approach, it has been reduced hours and then branch closure. I want to know examples of where this approach has taken an alternative, more positive outcome.

Carol Anderson: As I said to Mr Thomson, this is a different approach by us. No, I am not aware of other banks that have reduced hours and then closed. In January I was at all three branches you refer to and in Jedburgh in particular there was nobody in for the two hours I was in the branch. It makes sense from our point of view to look at the cost of the branches, along with Galashiels, and say, "What is happening in the Borders?" We are part of the BID scheme, so we can have a look at how we help the regeneration programmes that are going on and create some sort of business uplift, but again the fact that we have stayed there—Hawick, for example, did have some business customers and we had a look at how they are transacting. They are not in every week either now because they are recycling their cash. Kelso is much the same. We are looking at that as a proposition to say, "What does make it work?" We are there for set days so customers know we are open on those days. It is not half an hour or an hour; we are open for that full day.

Q165 **John Lamont:** The customers knew that before. When you are open full-time customers knew you were open on a full-time basis. Now they have to check which days, which hours you are going to be open. Surely that makes it much more difficult to access banking services in the traditional model. I just do not understand this idea that restricting access is in some way going to encourage more people in.

Carol Anderson: When open for the five days, the numbers were declining significantly. In all of those three branches we have not seen any uplift at all. As I said earlier, we could have closed them. You could look at that and say economically we could close them, or we can try something different. What it gives us is the opportunity to work locally with local stakeholders to say, "What else can we do? Are there other things we can do?" and maybe even for customers. We have brought in the "recommend a friend" for current accounts. Will that encourage people to come with us? If I am banking there and I see it go to three days, I am thinking, "I want to get involved. I want to try to help this bank stay and maybe open longer". We have to try everything, but at least while we are there it gives us the opportunity to try these things. If we had closed, that is the end of that bank branch in that locality.

Q166 **John Lamont:** The reality is that other banks have tried the same and they have all failed. You cannot give me a single example.

Carol Anderson: I am not aware of any bank that has done it on this scale.

Q167 **John Lamont:** You say that this is something different and the reality is that other banks have done the same and the conclusion of that process has been closure.



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Carol Anderson: That might have been for that bank. For us we are trying it.

Q168 **Paul Masterton:** Ms Anderson, there are three of your banks in East Renfrewshire, Barrhead, Clarkston and Thornliebank, which are moving to reduced hours. I think that there is some element of relief that we are looking at reduced hours rather than closure. Can you give any indication of how long this kind of review period at reduced hours is going to last? Is there any meaningful guarantee that this reduction in hours will not move to closures within a certain period?

Carol Anderson: We are not looking at any further closures in Scotland this year. We did not close any last year. We have announced the four that we are closing this year. We want to manage how this lands. We have not seen any initial impact. As you say, customers are almost, "I am glad you are staying". We have not seen any initial impact and we will continue to work locally and manage what we are seeing: is there anything we are missing; what else can we try?

Q169 **Paul Masterton:** Basically, there is a guarantee that those branches will not be lost through 2019, but beyond that it will remain subject to review?

Carol Anderson: It is the same as the whole business, we will constantly review it.

Q170 **Tommy Sheppard:** That brings me on to my question. It just seems to me that all of the major banks are a bit like a rabbit in the headlights here. You have a situation where the way we use money is changing and your customer patterns are changing. Then you announce a wave of closures and there is no more until the next time. We have seen serial waves of bank closures over the last few years and we have also seen a process where—I think, for example, of the TSB in Craigmillar in my constituency that closed two years ago and the argument was that it would be replaced by the Post Office down the road that would provide these services. That worked for six months until the Post Office closed. The public are losing faith in your industry to some extent, which is why you have suffered a lot of reputational damage in the figures that the Chair began with.

Is there any sense in this industry of you guys trying to get ahead of the game and thinking and anticipating what services are going to be required in our communities, say, 10 years from now and beginning the process of planning for that so that you are not just continually retrenching and having these serial waves of withdrawing the service? It seems to me that if there is any prospect of doing that, you do need, particularly in conurbations, to look at the idea of a financial services hub where you work together as providers sharing counter services. You also look at collaboration with other agencies, other retailers, other components of people's lives. First of all, in each of your banks is there a team of people trying to think ahead in that way? Secondly, is there a



willingness in the industry for you guys to collaborate with each other?

Simon Watson: On the thinking ahead point, the characterisation of us trying to assess how far to go and what services customers might need in the future is a good one. As I said previously, I think that all banks try to plan for customer change. We probably were too far behind what customers have actually done and the speed at which people have adopted new technologies. Our view is that it is safe to say that branches have become more places for conversation, guidance and advice and less for transactions. That is the shift that we are seeing now and we expect that to continue. In designing for the future, you would imagine that branches would be more akin to conversation and less about the traditional counter style that you see today.

In terms of where they are located, obviously we have been through a process of restructuring the network in Scotland. Where we are today we regard as being the place that we think is the best fit for the customers that we have. On examples of co-operation between banks, I am happy to explain to the Committee about the business hubs idea that is currently being piloted between Lloyds and Barclays if that would be useful.

Q171 **Tommy Sheppard:** Is this the Birmingham one?

Simon Watson: There are six of them, yes.

Q172 **Tommy Sheppard:** Is there one of them in Scotland?

Simon Watson: There are six hubs being piloted between the NatWest brand, Barclays and Lloyds over a six-month period. That has been many years in the making. One of the hurdles that we had to get over was the competition hurdle to make sure that this was done in a way where all banks were party to the discussions to be able to provide a service to all of those banks' customers. Where they are located mirrors the customer footprint of those three banking brands. With Barclays being predominantly in England and Wales, that was what determined that. You essentially have a concierge that meets the customer and then it is fully automated beyond that point. There is a shared utility service for business banking customers.

At the end of that process there will be a conclusion and a review of the pilot to see what the next steps might be and, indeed, whether that is something that is more widely arranged. If it is part of the banking landscape, I would fully expect it to be part of the banking landscape in Scotland.

Susan Allen: Likewise, we have done a lot of work in thinking about the branch network and how we think we can best serve our customers going forward and trying to understand our customer needs. In some of the planning that we have done we have looked at things like where the population is, where people will be living and working and where the locations are that we think people will want to congregate. As I said



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earlier on, we see, a little bit like Simon described, a really important role for branches in providing advice and guidance and information within communities. In our bank branches that we are refurbishing now we are creating much larger apportioned space to be a community space. Given the volume of transactions, in Scotland just in the counter transactions down 34% over three years, we did some refurbs a few years ago and left three or four tills. There is just no need for that now. We are having fewer tills.

Q173 **Chair:** I am really interested in the question that Mr Sheppard raised about the shared facilities and the Birmingham example. Could we stay on that, please?

Susan Allen: Yes, sorry, it was the point about how we are looking to customer need. I was just trying to make the point that we are looking at lots of different data and things to try to understand what customers will need in the future so that we make changes.

Q174 **Chair:** We do not need to repeat ourselves at this Committee, if that is okay. We are trying to get the best out of you while you are here just now, so can we respond to some of the questions?

Susan Allen: Okay, no problem. On the piece about working with other banks, we are very open to that idea. Looking at the pilot that the other banks have started, it is less of an issue for us because, as I say, our business banking customers are in the Post Office. We feel very strongly about our support and working with the Post Office. It has been a great partnership since the Girobank days for Santander, but we are open to looking at other alternatives. For us, it is about making sure that we are staying in the communities and being available.

Carol Anderson: Similarly to Susan, once the success or otherwise of the pilot is known, we are happy to sit at the table and look at hubs.

Ricky Diggins: Yes, as Simon has described, it has been a number of years in the making and there are certainly some challenges, whether it be regulatory or from a competition perspective. We are really keen to understand whether this works for our business customers. This is a transactional hub. It is not designed to be a full replacement service or bank branch, but we are keen to see if we can make that work.

Q175 **Tommy Sheppard:** I know about the Birmingham business hub that opened last month, in fact. You are implying that there is a concierge system: somebody goes in and they are triaged to find out what they want and then they are guided towards the machines, basically?

Simon Watson: If you walk in as a business customer you would be greeted by somebody. That person would be from a contractor, so not even from one of the three banks, and they would be asking you just to make sure that you know what you are there to do and if you need any support using the automation. It is a fully automated deposit journey for business customers.



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Q176 **Tommy Sheppard:** That might work for some people but I do not find that particularly attractive, not just for business customers but for personal customers as well. I do not think it is an either/or. I think that there are lots of people who are quite happy to have Apple Pay on their phones and like the convenience of that, but they also like to have someone to go and speak to and get advice from as well. You do not exist either online or in reality. People want to be able to do both. You talked about cafés earlier, for example. I am just wondering if there is a model 10 years down the line where people are able to go and buy a book or have a cup of coffee or return something to Amazon or whatever and at the same time get a banking counter service where they can go to a human being, no matter who their bank account is with, and say, "Can I just check this?" and the machine and the person is able to do it no matter what bank they are with. Is that feasible?

Susan Allen: All of us, I am sure, are exploring all sorts of different options, but the reality is that we are seeing significant declines in cash transactions. When I started in a banking branch, people came into the branch but I am not sure whether people chose to come or whether they just did not have other alternatives. Today we are seeing people use other alternatives like Apple Pay, like contactless, like making payments through their mobile, and that reduces the need for people to come and do physical cash transactions.

What we are seeing is a desire also to use more of things like telephone banking. One of the things we have just announced is the rollout of something called voice biometrics, which means that people will be able to phone up the contact centres and speak to us safely and securely just using their voice without having to remember PINs and passwords. I think that is going to be a big step forward for many of our customers who do find the PINs and passwords a little bit of a complication.

Customers want to do more with us on the telephone and on their mobile banking. We have lists of things they would like us to make available. Then we do have to still, of course, remain relevant and provide a service for people who want to do things face to face, and we see that as a combination of our bank branches but also the Post Office where 90% of those cash transactions can be done safely and securely.

Q177 **Chair:** Could I come back to this pilot? I was not aware that there are six pilots in place, so thank you for that information. We obviously are aware of the Birmingham one that is set up and we are looking very carefully at its operation and its success and we look forward to the evaluation of that. I was not clear in your response whether one of these pilots was in Scotland.

Simon Watson: No.

Q178 **Chair:** They are not. Okay, that is all we need. If these pilots are going to be in any way viable or if they are going to indicate exactly if they are going to work or be effective, surely we need to see one in a rural area,



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like in my constituency, to see if this is some sort of way forward. We are all in the business of looking for solutions to this. We have heard the difficulties and the problems. We know the response from members of the public. We know what you are trying to do and achieve, but this seems to me to be a really practical way forward. If this is going to be something that we could look to consider and properly evaluate, surely we need to see these pilots in a whole range of different locations and settings throughout the UK, particularly in some of these rural areas where there is not any real branch network anymore. Is that something that Bank of Scotland/Lloyds would be prepared to look at?

Ricky Diggins: We are really keen to understand the outputs, the test and learn that we are going through with the six business hubs. Depending on how they go, we would look at the viability to extend that into Scotland. At the moment, it is a joint relationship with NatWest and Barclays.

Q179 **Chair:** Are all the pilots in what would be described as urban locations or are any in—

Ricky Diggins: Yes, they are.

Q180 **Chair:** They are, right. So we are not going to get to see if this would be something that would be desirable in a rural situation?

Ricky Diggins: It is important that we test it in the most viable locations first. We will take a lot of learnings from that and then that will enable us to determine—

Q181 **Chair:** But you would be open as a bank to have some sort of pilot in a rural area if there was a demand or a request for that?

Ricky Diggins: Once we have seen the outcome of the initial pilot, yes.

Chair: Once you have seen the outcome, so there are no plans until you have seen the outcome of this, okay. That clears it up for us. Of all the ways forward, this would seem to be a reasonable thing to look at, particularly in rural situations.

Q182 **David Duguid:** I think the idea about sharing is very interesting. When I talk to most customers or users of your banking services, they imagine if there is one final branch left open in the small town, like Turriff, for example, with a population of 5,500, blessed with banks—or at least we had five banks until last year when RBS closed—their image is of one of those banks remaining. You could go to a Santander counter or a TSB counter but it would still be a face-to-face transaction. We have heard a lot of evidence as to why that may or may not be appealing to the banks themselves. Could you say a bit more about why that would not work? Specifically, we heard from LINK that the technology exists for ATMs to take deposits and pay those into different bank accounts. Can you talk about whether the technology is actually there? If it is there and the banking industry is finding it less appealing, why is that?



Carol Anderson: The relationship we have with the Post Office provides that day-to-day transactional thing. ATMs are very similar. It is a simple transaction of cash. When you come down to setting up a hub—and again we have not been party to any discussions and would be happy to—you then have to look at the different systems and security checks that each bank has and whether you are able to commit to putting those into one location. You would want to be able to help the customer, so all of that would need to be flushed out as to how it would work in one location with each bank being represented.

Q183 **David Duguid:** Any of the other banks? It does seem like there needs to be a first mover. One bank will have the idea, like Barclays and NatWest, for example, and then bring in the other banks. Is it something that is being discussed?

Simon Watson: I am not aware. As my colleague from TSB said, at the moment the Post Office provides a universal access point for customers to then deposit into the banks behind it, if you want to describe it like that. To get all of those banks to come together to create a new platform, essentially, that then becomes a universal platform for all customers would be very complicated. It would be in addition to the Post Office service that is already there. There are some practical barriers to it.

The other thing that it is worth the Committee noting is that we would only be able to provide the very basic services. A lot of the conversations we have in branch are around people's finances and the products and services they might be using with the individual banks. They would still need to be discrete at the moment because they are different banking entities with different products and different services, with a different impact on the customer's credit history as well.

While I think that certainly the principle of it is one that the Post Office meets on a day-to-day basis, beyond that it becomes increasingly more complicated as you try to design a service like that. I would say that at the moment technology is moving fast.

Q184 **David Duguid:** It seems to be an issue that is not insoluble, it is just that you have not quite figured out how to get there yet. Would it be fair to say that all the banks represented here are at least open to the idea?

Susan Allen: Yes, and as Simon said, I think that until now the 11,000 Post Offices have provided a really good service. I know that there are some issues in some of the Post Offices, but generally our customers' satisfaction levels with Post Offices are really high. That provides banking access for all of the banks and I suppose that has been where we have put our efforts because 11,000 Post Offices with their opening hours provide really good access to our customers to complement our own branch networks as well. I think that we are all open to it. The key thing is that we are here to support and serve our customers. As their needs change and evolve, we have to change and adapt to meet them. I would say, yes, we are open minded.



Q185 **David Duguid:** Going back to the specific question I asked about the ATM technology that allows customers to make deposits into different bank accounts and different banks, as I said, LINK told us that the technology exists but the banks are resistant. Can you explain why the banks are resistant to that?

Ricky Diggins: We are investing in new technology and we continue to review the services that that technology can provide. We have just recently upgraded the platform on which our ATMs work, which will give us more flexibility in the future. We understand the importance of innovation and that is why we will continue to look at ways that we can serve our customers, but we believe that the branch network will continue to play a really important part in our distribution strategy. Alongside our commercial relationship with the Post Office and other innovations such as our tie-in with Visa and the cashback scheme that we are offering through there, that will increase the choice and availability of cash to customers. There are lots of different options that we can look at. Innovation is going to be key going forward.

David Duguid: Okay. Can I just make my apologies? I have to go to another meeting, so thanks for your time today.

Q186 **Christine Jardine:** We have heard some interesting ideas from all of you and it seems that the main issue is a change in the way that we are banking, which is driving you to look for different ways of keeping branches open, providing services in rural areas. Would it be fair to say that this is perhaps an aspect of the fourth industrial revolution as to how it is affecting banking that we are seeing these changes?

One of the things that has continually been mentioned in this inquiry—RBS will be aware that this has been mentioned by them and I apologise, I have done loads of questioning people as well—is that Scotland has a lower level of broadband and mobile signal, particularly in rural areas outwith the central belt. We may be looking at this through the wrong end of the telescope. Is the problem the lack of provision of broadband and mobile services to enable people to bank online in rural areas? Do we need more investment in order to provide those services? Perhaps the Scottish Government should focus more on those areas where there is no coverage than the central belt that has more than adequate coverage.

Susan Allen: Investment in the provision of broadband and mobile is important and obviously does make it easier for customers to access those services. What I would say, though, is that the stats that are published generally talk about 10 megabytes being the level that needs to be available but, in fact, to access our online banking it is 2 megabytes. We do look and we are looking in all of our branches at what the local provision is using the Ofcom data. In the locations where we are closing the branches, it is still up at between 93% and 98% in terms of availability of the 2 megabytes that we would need for customers to access.



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The more that we can make broadband and mobile coverage available I think that impacts people not just with their banking but with so many other aspects of their lives. We have all seen the importance of having access to mobile and online for accessing benefits and utility savings and other key important things for customers.

Q187 Christine Jardine: I mention this because last week I, through nobody's fault but my own, managed to cancel both of my debit cards for the bank. Fortunately, I was in central London so it is not a problem. I could go to a branch; I could do everything electronically. If I had been in a rural area, it would have been more difficult for me to use the online services. But, as I say, have we been unfair in perhaps only looking at one half of the problem, which is the changes that are driving banking closures, and not looking at whether or not there is adequate digital coverage, adequate broadband and wireless, being provided in those rural areas to match that up? Perhaps it is not just a banking problem.

Carol Anderson: I think that it is definitely connected. I have a younger generation and I live in a rural area. They come to our house and you are waiting ages for it. That is a primary focus for them. While all of that is happening, we still have the phone service and we should not underestimate that as well because that is very popular with customers. Where customers tend to work or go for their entertainment and so on, they will book a restaurant where they know they can get wi-fi. That might be their choice and more of that is happening. That is all leading towards the change as well. It is not just about the wi-fi in the bank, it is a societal thing.

Q188 Christine Jardine: It is a cultural change?

Carol Anderson: Yes.

Q189 John Lamont: In 2017, when the Bank of Scotland shut the branches in Coldstream and Newtown St Boswells in my constituency, just over a quarter of the homes in my area had access to good quality broadband and barely half had access to a 4G mobile phone signal. I am just reiterating the point that Ms Jardine made about the alternatives. The technological alternatives are sometimes very challenging for rural communities like those in my constituency.

I particularly wanted to go back to a comment that Susan made. You described an elderly customer on a wet day in a branch who you felt should be doing her banking at home. I found your comments quite uncomfortable because for that older person, going into that bank branch is probably something she has done every day or every week for the duration of her life. It is a very important part of her social inclusion in her community. She probably does not have access to broadband or mobile banking services and probably does not feel comfortable using it. The view that the bank was articulating that she should be using an alternative form of banking I do not think is a particularly acceptable approach for you to be taking. I think that you should be looking after



your most vulnerable customers and I would suggest to you that the lady that you described is somebody you have a much higher duty of care to compared to anybody else who may have any other options of banking facilities open to them.

Susan Allen: I think that it is a very good point. If I said “should”, what I meant is that there are options available. I do not think we should force anybody to do anything. We should be looking out for customers and trying to help them understand the options that are available to them so that they can make the choice that is right for them.

I suppose what I was trying to reflect is that sometimes people make assumptions that just because somebody is from a certain age group, maybe they will not be interested in having a conversation about digital banking. If we think there is some benefit to that customer, we should at least have a conversation so they can make a choice. What I would not want our colleagues to do is to make assumptions about people, because they shouldn't. We have many customers who are of an age demographic you would not have thought were natural digital customers maybe, but they absolutely find it revolutionises their lives. I do not think that we should make assumptions. I completely agree that it is not for us to put our thoughts on any of our customers, but I think that we do have a responsibility to make sure that customers know how they can access services differently. I would hate to think that we had not at least given that lady the choice.

It is our responsibility to let people know what they can do on the telephone, what they can do from home, if they wish to. I completely agree that many people will choose to come into our branches. When I go to many of our branches, they will tell me that they know exactly who is going to turn up at 10 o'clock on Monday because they are in every Monday at 10 o'clock. We know people's children and their grandchildren. They have been coming to us for years and we value those relationships. I am sorry if my remarks were—

Q190 **John Lamont:** In many cases that lady may not have the choice. That is my point. You are assuming from the metropolitan outlook. I do not know anything about you and I am making an assumption here, but the metropolitan outlook of life is not necessarily the outlook of life that exists in many of the communities that I represent. I think that it would be wrong to assume that those choices are available for everybody and by closing branches or restricting access to branches, you are assuming that ability to make a choice. For most people, for a lot of people, that choice just is not there.

Susan Allen: Yes, you are right, we can't assume that everybody has mobile, we certainly can't assume that everybody has a telephone, but that is why we look at other alternatives like the Post Office. That is why it is really important. When we are closing branches we literally sit down with customers one on one and walk through what the options are for them. How do they like to do their banking? What are the different



choices? In many cases, we will even walk the customer to the Post Office and show them how they can use their card to access services there. We will have the postmaster come into our branches to run sessions with our customers. We want to make it as easy as possible. We recognise that coming out of a location does create inconvenience for our customers and we are trying to not wash over that but to sit down and speak with each customer on a one-to-one basis and understand what would work best for them. Would it help if they were enrolled for telephone banking? Would it help if we took them to the Post Office? How can we mitigate this for them? That is something we take very seriously.

I completely agree, it is not about some sort of metropolitan view of banking and imposing that on other people. It is about every customer being an individual and we have to sit down with every customer and work through their own circumstances and what we can do to help them. I am glad to say that that is what my colleagues do and they do a fantastic job of that.

Q191 Danielle Rowley: We have talked a lot about digital banking and the way that customers and consumers are changing their habits. What I see from perhaps my generation and younger bankers, who will prefer to do their banking online, is that they maybe have been turned off from more traditional banks and they are using things like Monzo and online fully digital banks. First, is that a threat? Secondly, if that generation of bankers are more likely to use something like Monzo, then should there not be a loyalty to customers who have perhaps been with your bank their entire life? When we talk about choice and the option, they do not have an option and they do not have choice if their bank and their Post Office has been closed.

Simon Watson: Many of the newer banks do not have any branches at all. You can see that some of those banks are growing very quickly. Some of the feedback that I have had from my customers is, "I like some of their features but I also like the certainty of a more traditional bank". I do not think it is as clear-cut. I think that it is another symptom of the change that is taking place in that more entrants into the banking sector is a good thing for the customer, to be able to give them even more choice than they have.

When we look at the role that branches play, again it is changing. I know at RBS we need to work twice as hard and do twice as much to regain trust and improve the service and how we are seen in the eyes of our customers. Whether that is things like the Reward account, which gives people money back on their bills, we are trying to continually build a better bank with better services to retain the loyalty and to retain and reward those customers that have stuck with us for the last 10 years. New entrants and new banks with new offers keep us even more on our toes and hopefully that means we continue to do an even better job for our customers.



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Ricky Diggins: Lloyds Banking Group is the UK's largest digital bank. We are looking to continue to invest to attract people to that element of it, but it is important that we have services available for all of our customers. For those that are in certain demographics that appreciate the convenience of online banking, we are investing heavily in that side of things, but we are also very committed to maintaining the branch network, as I described earlier.

Q192 **Christine Jardine:** To go back one step and follow up partly on what Mr Lamont said, we have talked a lot about digital banking and the fact that there is not the mobile and digital coverage in Scotland that perhaps there should be for people living in rural areas. But we still have the fact that even with ideal coverage there is an estimated 2 million adults in Scotland who do not use online banking and many have difficulty using the internet. Could you fill us in on what you are doing to support those people without digital skills to use online banking or other services?

Carol Anderson: In the branches, we have what we call digital wizards. They sit down with customers, go through it, and help them to understand what online banking can do for them and also whether it is right for them. It might be that the customer does not like online banking and they might think they are more exposed to fraud. We can take them through the protection that they have with online banking; it can be safer. We have also just launched the fraud guarantee for those customers who are innocently affected by fraud. We encourage customers to bring their own devices with them because if they have a smartphone or an iPad, they can come in and use wi-fi in the branch and use their own personal devices. Customers can come back as many times as they like and we will help them get familiar with online banking.

It does come back to customer choice, however, and whether online banking is right for that customer. Where it is not right for them, we will explain the other options and that is where the branch part comes in as well, if face-to-face is important. It might be about an important transaction for the customer, anything from dealing with a deceased estate to a new mortgage and they might prefer face to face. We cover the whole choice with the customer.

Ricky Diggins: From a Lloyds Banking Group perspective, we employ about 13,000 people in Scotland and 4,000 of those colleagues are registered digital champions who are committed to supporting customers, friends, family, and will go out into local communities, whether that is community centres, libraries, local schools or inviting people into the branches as Carol has described.

Q193 **Christine Jardine:** Mr Watson, you mentioned going to customers' homes but we moved on from it. Could you tell me more about that?

Simon Watson: There are two ways in which we would be able to offer that service. Some mobile banks can make individual stops for customers. Some of them are business customers and some of them are



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personal customers. We also have community bankers in 69 communities who can arrange an appointment where they go into a customer's home. Just last week there was an instance of our supporting an elderly customer with some of her banking needs around her financial affairs in the comfort of her own home because that was the easiest thing for her. In other cases, we may be in centres or locations, where there are customers who would drop in and see us, including the Post Office.

One aspect the community banker role gives the Royal Bank of Scotland is to put us beyond the branch, beyond the high street into our customers' homes in some instances. Coupled with the support of our customer protection teams, which specifically focus on vulnerable customers, those two services work quite well together. It means that we can wrap around the individual when needed.

Q194 Christine Jardine: We have touched on this in various ways already. Do you think we are in a situation where what banking is and how we use it has changed and is changing, and we are in the midst of that change? I was one of those people who eight years ago did not want to use online banking. Now my heart sinks if I think I have to go to the branch, if I can't do it online. Do you think that as a society we have changed and that the banks are trying to facilitate where we are now, facilitate that move, and keep up with it in some ways?

Simon Watson: Without question, things have changed. All of us represented here today will have teams of people who are talking to customers about the way in which they are living their lives. It may start with a conversation about banking but it certainly does not end there. I am most reminded of a customer who we supported to use a tablet device that meant that she could sign via FaceTime to her daughter on the other side of the world. She never would have had that conversation about using technology in that way had she not asked us about online banking and how that could make her life easier. Online banking is in many ways a gateway through which people can access many other services that can dramatically change their quality of life.

We discussed vulnerable customers earlier. It is too easy to characterise technology as not suitable for vulnerable customers. In fact it is quite often the case that technology is an enabler and a major driver of inclusivity for vulnerable customers if we use it in the right way and have the right discussion. Banks go way beyond banking today, in the conversations we have with customers about how we can ensure that they can keep up and are included in many other things that are changing in the world.

Q195 Danielle Rowley: I want to ask generally about how effective you think mobile banking vans are, but particularly you, Mr Watson. I was in Pathhead in my constituency at the weekend. That is one of the areas where the mobile van stops. I was speaking to a number of people and asking them about local services. A lot of them were saying that the mobile banking van doesn't go there anymore. "We were used to using it



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and it was very useful but the last few times we have gone and it has not been there." Then I spoke to someone who said, "Oh, it has moved, it stays, but it has just not told anyone". I managed to go into town one day and it was there but no customers were there. I worry that obviously decisions will be based on use and perhaps no one is using it anymore but that is because the service was changed without notification. If a change of day is made, do you not try to communicate with the community?

Simon Watson: We do and I am very sorry if there are any customers who were not aware of a change to the timetable. We do contact all our regular customers and we give notice of any change to the timetable.

We ask the local teams on the vans to take account of where customers are but also to engage with the local community to see if there is a better, more convenient, place for us to stop. By the nature of its being mobile, the timetable does change over time. We have added 10% more stops in the last year and that has meant there have been some changes. I am sorry if we have not got communicating to customers right. The process should be that we are very clearly engaging as early as possible with regular users and notifying local communities, both online and in branch, and by putting posters up in local areas to tell people that the van times are changing.

Q196 **Danielle Rowley:** Do any of you experience any common complaints about mobile vans? I know, Mr Diggins, that the chief executive of the Bank of Scotland recently visited a mobile unit to listen to complaints and concerns. Do you know what was found on that visit and if any changes have been made since then?

Ricky Diggins: Yes. That was Philip Grant, who was up in Bonar Bridge. As part of his role as chair of the Scottish Executive Committee, and indeed as part of my role, we will regularly go out across Scotland both to our branches and our mobile branches to get feedback from our customers. We will have regular dialogue. We now have 12 mobile branches stopping at 104 locations. Typically, they would stop for two to three hours at each stop. It is important that we continue to get feedback from our customers. It provides useful insight and we are then able to continue to improve the services we offer.

Q197 **Chair:** We have received quite a bit of correspondence on the quality of the mobile branch provision. One letter from a gentleman in Chirnside: "Chirnside has lost its bank branch and although a mobile bank does visit, its times cannot be relied up. I stood and waited half an hour in the cold last week to be told that the mobile had been and gone two hours earlier". I have another one from the Bonar Bridge example that says: "We now have a mobile bank, which is not fit for purpose. It arrives for two hours on a Tuesday between 10.00 am and noon but there can be large queues, meaning that not everyone can be seen". Surely you must be receiving that type of feedback from your customers too. If we are getting that as a Select Committee of Parliament with no great interest,



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although there is this inquiry, you must be getting a similar type of correspondence.

Ricky Diggins: That is why the likes of Philip Grant and I will make regular visits. We take on board the feedback from our customers and the colleagues who are serving on the mobile branches and reflect the feedback in our service provision. We tend to stay for between two and three hours to give our customers a window, so they know when the mobile branch is going to be visiting their local community and we would look to stick to the timetable. If there are any changes, we would engage with those local communities to communicate the changes as effectively as possible.

Chair: We will pass on the correspondence that we have had on this so that you are familiar with it all.

Q198 **Deidre Brock:** I want to ask about accessibility for the mobile vans. I visited your Lairg van when it was in Lairg and I do commend your staff. They were very efficient and polite. Just this morning, however, our Cabinet Secretary for Health was listening to an interview, I think on the "Good Morning Scotland" show, and tweeted, "Don't mention mobile banking without pointing out mobile banks are inaccessible for those with mobility issues and RBS for one refused to do anything about it". I accessed the van myself. Thankfully, I was able to, but there are quite steep stairs. I wonder how your compliance with equality legislation fits in with mobile vans.

Ricky Diggins: All 12 of our mobile branches are Equality Act-compliant. We do have two different types of mobile branch. Of the fleet of 12, seven have full disabled access, hydraulic lifts. There are a number of legacy vans that remain Equality Act-compliant but do not have that same functionality.

Q199 **Deidre Brock:** If they do not have the lifts, how do people get up the stairs, if they are in a wheelchair, for example, or have movement restrictions?

Ricky Diggins: Our colleagues on the mobile branches would support those customers as appropriate if they are not able to access the mobile branches.

Q200 **Deidre Brock:** I see. And RBS?

Simon Watson: Our vans are smaller than those used by Bank of Scotland but we do have something called myHalo, a customer alert system that enables customers to tell us when they are coming to the van and we can serve them off the van, in their car, for example, or somewhere else. In addition to that, we have added two new vans, which have full access lifts. We used to have lifts on mobile banks but they were not used. Customer feedback was that they did not want to use them. We are now looking again at the full fleet to see what changes we can make to the rest of the fleet to enable full access, in addition to the new ones that we have put into service. That work is underway at the moment. We



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contacted all our customers who use the mobile branches last year to make sure that they were happy with the level of service and the access that they had and have taken even more feedback from them in order to try to make further improvements to the fleet over the course of this year.

Q201 **Deidre Brock:** So you will be improving the access.

Simon Watson: Yes, absolutely. We have said that we are looking at improving the access to the mobile branches.

Q202 **Paul Masterton:** You have all made quite a big play, as usual, on the availability and services provided by Post Offices. In East Renfrewshire we have lost six Post Offices over the past two years. Many of those are branches that you referred to explicitly in your closure documentation as being nearby for people to use their services. I know you are going to say that it is not your responsibility to keep the Post Office network going but given that you are effectively directing people to them, you are using them as a justification to leave communities, and you are effectively getting postmasters to do the banks' job for them, what practical steps are you taking to ensure the viability of Post Offices in the communities and high streets that you are leaving behind? Your silence speaks volumes.

Susan Allen: The Post Office network is a very important part of the way we serve our customers. You are absolutely right. It provides one alternative, particularly when we are not present in a location. There are 11,000 Post Offices in the UK. That number far exceeds the number of branches any of us would have over the whole of the UK, so they are a very important part.

Clearly, if a Post Office branch does close that causes issues, but I am not aware of any. There were circumstances recently where one closed, but only temporarily, and we engaged with the Post Office to make sure that they had plans to reopen because it was an important option for our customers. I am afraid that I cannot think of lots of examples from the last few years of where Post Offices have closed. I can think of one recently that was closed for a few months. We engaged with the Post Office on behalf of our customers and got the commitment that that branch would be reopening. That is a practical example.

We have worked with the Post Office on the framework agreements that we have reached across the industry and that is an investment into the Post Office network to make sure that it is rewarded adequately for the services it is providing to our customers.

Simon Watson: I would say the same. Looking back at the Post Office network's recent results and the story it was telling around its overall performance, the agreement with the banks was singled out as one of the major contributors to the improvement to its own sustainability. At Post Office branch level, it seems to be the case that the agreement is working



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well for them and benefitting them. There are individual instances of temporary closures of Post Offices—I am not aware of any permanent closures—where we have stepped in with the Post Office to make sure that there was an alternative or to see how quickly we could get an alternative up and running for customers.

Q203 Paul Masterton: The point that I am trying to get to is that there is continuous oversight, that if you know that you have closed a branch in an area, you will be aware if the local Post Office branch closes, even just temporarily. There will be something flagging that that has happened on your systems and you will then look to get involved to see what support you can give through that period.

Susan Allen: I would not say that it is automatic. What tends to happen is that we get feedback from our customers, or indeed colleagues locally. That would be how we would then engage. We are working very closely with Post Offices, in particular to also look at how we get more feedback from Post Office users about the service, so that we can continue to refine and work with the Post Office to improve the quality of service.

Carol Anderson: Our agreements, as well as being an income source, in some locations where Post Offices are run as part of shops are helping their wider business model by giving them footfall they would not normally have, so there is a benefit there.

Ricky Diggins: That is certainly the feedback from postmasters we speak to, that their own sustainability and footfall are improved.

With regard to your specific point about closures, I am aware of one situation where we delayed the closure of a branch while one of the Post Offices was being refurbished. We will continue to work with the Post Office to make sure that there are suitable alternatives when bank branches close.

Q204 Deidre Brock: I want to ask about cash handling costs for businesses. That is, of course, a major part of the cost of the UK's cash infrastructure. Are banks making that kind of system more expensive by closing bank branches and thereby increasing cash handling costs?

Ricky Diggins: We continuously review. We are the supplier of notes in Scotland. We will continue to review the viability. We will continue to look at access to cash for both personal and business customers. We understand the importance of innovation. We will assess access to cash within local communities as part of the wider review but we do not believe that there are any fundamental changes.

Q205 Deidre Brock: No increase in security costs, for example, for businesses, having to travel, having to hold on to their cash for longer because they cannot make it to however far away it is they have to travel to deposit their cash? That is certainly something that we have heard about from witnesses. It is a concern.



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Ricky Diggins: That is why we do work to make sure that there are suitable alternatives, whether that be access to a Post Office, a cash-collection process for some of our customers, or access to another branch.

Q206 **Deidre Brock:** In what circumstances do you have cash collections? Is that for businesses?

Ricky Diggins: Yes, for small businesses, where it is appropriate.

Q207 **Deidre Brock:** That does involve additional costs, though, presumably.

Ricky Diggins: In some cases it will reduce the cost for those businesses but we would need to work on a one-to-one basis to review the needs of the individual business.

Carol Anderson: Through the partnership we have with Square, we are helping businesses to be less reliant on cash but equally, because of the strength of the footprint we have, we have the deposit facility there for them and we are working with businesses so that they can manage their cash to see if there are ways we can help them.

Susan Allen: We work with the Post Office, we always have, but the other thing we do offer is the facility for cash to be collected. While there is a charge for that, for some customers, compared with the cost of their time in closing up their business and driving somewhere to deposit cash, it is better for their small businesses for us to go and collect it.

Q208 **Deidre Brock:** Do you have a percentage on that?

Susan Allen: It is a relatively small proportion of our customers who use that, but it is a choice. There is the Post Office, there are branches, and then there will be the option for cash collection. There are charges for cash collection but for some companies it makes a lot of sense because it means they do not need to close their business and they can have somebody come to them to collect the cash rather than spending time in a branch.

Simon Watson: We have the same options of branch, Post Office, mobile branch and then cash collection as well, or bank to you, and, more recently we have just announced a pilot, which is an onsite safe for customers where they can deposit cash, it is immediately credited to their account and will be picked up as part of a rota pick-up. That is something we are trialling now. The trial is not conclusive, but it is another service.

Q209 **Deidre Brock:** What would the site be? Would it be a bank?

Simon Watson: No, just a safe on a site.

Q210 **Deidre Brock:** Just a safe?

Simon Watson: Yes. It essentially records what the deposit allocation is and it is automatically credited to the customer's account. That is an intelligent safe that we are trialling at the moment.



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Q211 Ged Killen: I am going to ask about ATMs but before I do, I want to go back to the point about Post Offices and specifically the point about cash in Post Offices. I do not recognise what has been said here about helping the Post Offices. Mr Diggins, you told me earlier that you met with the Post Office in my constituency, where the bank branch has just closed. I met with them as well and they told me that they have no back office, they have a small counter, and are having to process cash at that counter. At a time when more profitable contracts are being lost by the Post Office, they are being paid a pittance to process cash in comparison with what you charge business customers. That is taking Post Offices across my constituency to the brink. A lot of them are telling me that they are close to giving it up and that their retail offering, in some cases, is subsidising their Post Office counters because they are moving towards this model of providing the services that you have left behind rather than the ones that they have traditionally provided.

If you are delegating the responsibility to Post Offices, what awareness do you have, for example, of the Post Offices I am talking about in my constituency that are saying they are close to giving up? What discussions are happening at a senior level with the Post Office about how its operators are being rewarded for the work they are doing on your behalf?

Ricky Diggins: We have a commercial relationship with the Post Office and ongoing discussions at senior level with regard to that relationship. At a local level, it is really important that we do work through any transition, as I described earlier. It was not me personally; it was colleagues at the local branch who worked hand in hand with the local postmaster. We will continue to review those local arrangements while maintaining the conversations at a more senior level.

Carol Anderson: It would be the same with TSB. The commercial agreement will be done between a senior person in TSB and a senior person in the Post Office. From a local perspective, if we move out or reduce hours, that is the point at which we would be working with the Post Office and with customers. If it is right for the customer, they will use Post Offices or they will continue using bank branches, ATMs, and so on.

Q212 Ged Killen: Turning to the issue of ATMs, we have been looking at ATM closures as well in this Committee. How much money have your banks saved from the reduction in the ATM interchange fee that you pay as members of the LINK scheme?

Ricky Diggins: I believe LINK has come out on record to suggest that it is £17 million. I do not have the specifics for Bank of Scotland or Lloyds Banking Group.

Carol Anderson: I do not have the specifics.

Q213 Ged Killen: LINK told us that they had to change the interchange fee because if they had not, banks would leave the scheme to competitors.



Can you tell us, if they had not reduced the fee, given you do not know how much it is saving you, would you have left the LINK scheme?

Simon Watson: The discussion that all 38 members had with the LINK scheme was very important. We had a situation where we had a rising number of ATMs against a backdrop of falling use of cash and those ATMs were next to other free-to-use ATMs. Our engagement with LINK was based on how we could ensure the free and sustainable supply of cash across Scotland and the interchange fee, as it was structured, did not lend itself to it, did not incentivise it in the right way. I believe the goals are the right ones and it is yet to be fully proven whether it has had best effect. The interchange fee plus the financial inclusion fund gets us further away from seeing just more ATMs pop up in city centres and closer to the better distribution of ATMs across Scotland. That was certainly the basis on which we entered into those discussions with LINK.

Susan Allen: We similarly fully supported the financial inclusion programme and, as Simon said, we do want to see a distribution of ATMs so they are available to people. There are too many places where there are four or five in a row. We need to make sure they are available to everybody. The financial inclusion programme and LINK making sure that everybody has access to a free-to-use ATM within a kilometre is important.

Q214 **Danielle Rowley:** I am quite intrigued about the process of consulting with communities. Is it right that banks do not have to consult with communities until after a decision to close a branch has been made? If that is the case, how can you really evaluate the effects a closure is going to have on a community if you do not consult with them until afterwards?

Susan Allen: I am sure all the banks here fully follow the Access to Banking Standard in making sure that we follow all the requirements, but for me that is just the starting point. When we are looking at any branch closure, we do look at a lot of data. I have described that already. We also speak to our local leadership team, so the people who are out in the branches, on the ground in those locations, regularly. We do not speak to the branch teams themselves because you can understand that that could be quite unsettling for them, but ahead of any decision, we will speak to the local leadership team to get a view on the locations. We look very carefully at all the alternatives available for customers, as we have already described—Post Offices, other banks, our own branches.

Once the decision to close is made, we make sure that we communicate as quickly as possible to our customers and indeed, as with the other banks, we try to work to much more than the three months' notice we are required to give. We announced some changes in January, for instance, that will not take effect until October this year, in order to give customers maximum time to adapt and to give us the time to support those customers.



Once we have announced, we do consult with local community organisations. We also get a lot of feedback from our own customers and from the Members of Parliament representing them. In a couple of cases, for instance, we have had strong representations about the desire to keep ATMs in those locations and have open conversations to see if we can find appropriate sites within a community where they would be viable. There are some things that we will adapt post consultation, once we have had that feedback, but we do try to get as much local knowledge and insight upfront to help us make those decisions.

Carol Anderson: We follow the same process. It is important that we do engage locally so I go out and visit the branches before we make any of those decisions, because I personally own them. But as soon as that announcement is made, the quality of the discussion you can have is far better because it tends to be action-oriented—what do we need to do?—and we can engage very closely with all the key stakeholders, which is what we are doing at TSB at the moment.

Ricky Diggins: It is important for us that the process is followed and that any engagement with local communities supports them and mitigates any potential impact. We would not close a branch where we did not deem there to be alternatives, as we have described, through the Post Office, or through initiatives such as our tie-in with Visa through the ATM network, but it is then about working with the local communities and customers to support them in that transition.

Simon Watson: The banking standards are there but we go beyond that. It is six months, and within that six months we bring on site the alternatives to banks, whether that is a mobile branch, engagement with the Post Office, sometimes co-locating, or the introduction of a community banker, to give customers full sight of all the ways to bank as early as possible. It is a difficult balance to strike. We do get local information and understanding from our local teams embedded in communities but we also use historical analysis of what customers are actually doing with us, when they are doing it and how they are doing it, to try to make the best-informed and most-rounded decision possible.

Carol Anderson: What we find as well is that once that decision is made, we can speak to staff about it. They know the customers so much more closely, there is that relationship, and the customers tend to be, first, concerned about the staff and we are able to reassure them in the right way that they will still see that staff member. As we have done the changes we have made, one of the key things has been that there is no redundancy. The customer will see that member of staff in the same place they have always seen them, and in more places. That closeness between customer and the local staff is very important.

Q215 **Danielle Rowley:** Are there any examples of decisions being changed or other changes being made as a result of consulting with the community?



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Simon Watson: There have been multiple instances—it may well be around ATM provision or it could be about the mobile bank or about any number of things—where decisions have been taken to adjust what was in our plan in order to take better account of what the community might need as a result of our initial plans.

Susan Allen: We are having live discussions with some communities right now about the provision of ATMs and we are very open to adapting if we can find the right solution for that community.

Ricky Diggins: Similarly, with regard to mobile branch facilities, and stops, we will engage with the local community to look at the best options and how we can support customers in using that facility.

Q216 **Chair:** Thank you. Regulation is in an absolute mess though, isn't it, when it comes to access to cash and the closure of banks? What we have heard from various groups and the constituents who we represent is that they are frustrated that they have not been involved in any of the process when a bank is going to be closed or has been earmarked for closure.

The Access to Cash Review called for a joined-up regulatory approach that treats cash as a system. Currently there are so many regulators involved in this, aren't there? Do you agree that we need to bring this under one umbrella so there is one regulator that we could refer to, with a strict protocol about how this is done?

Simon Watson: Regarding sustained access to free cash, our view is that it requires a guiding hand from somewhere to create the space for all banks to have a conversation about how we ensure that cash remains free and accessible right across Scotland and the rest of the UK. As cash continues to decline, and the costs of supplying cash are ultimately fixed, partnerships and shared utility models of some description will be necessary if we look to the ways that other countries have done it. I expect that to be a feature of the discussion in the coming year.

Q217 **Chair:** What does the Bank of Scotland say?

Ricky Diggins: We will need to innovate as we go forward and face some of the challenges that Simon is describing—the fixed costs against the backdrop where cash is being used less and less. We recognise that cash will continue to play an important part for the foreseeable future but the trends are very much that cash is being used less and less as things like contactless payments, Apple Pay and Google Pay come in.

Q218 **Chair:** We have referred to regulation. The Lending Standards Board, as you know, reviews these bank closure programmes. Would you be content for their reviews to be published in order to increase the transparency of this process?

Carol Anderson: We have had the reviews from the Lending Standards Board. They have been very helpful for us. They have given us feedback



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in the past about things like the language in our own pack statements being clear enough

Q219 **Chair:** Would you be happy for the Lendings Standards Board to publish its reviews?

Carol Anderson: We have been quite open about the feedback we have had from the Lending Standards Board. Yes.

Ricky Diggins: The Lending Standards Board published a paper in September of last year. We would be happy to work with them on how it is communicated further.

Q220 **Chair:** Which? has said that what is required is a single regulator with a statutory duty to protect access to cash and build a sustainable cash infrastructure. Is putting this on a statutory framework something that you would support?

Simon Watson: I am not sure. I would not want to conclude what the regulatory answer to it is. I think there is definitely a need for a guiding hand to create the space for the discussions between banks about overcoming some of the competition hurdles that exist. We have seen how complicated it is trying to do it just between three banks in the business hub. Creating the space for discussion would be helpful.

Susan Allen: We would certainly support that. We have seen the trends. We have seen the report from Natalie Ceeney about the reduction in access to cash. There are, however, many people who need cash and we would be very keen to work together to make sure we continue to provide a good and sustainable level of cash for those who need it and want it.

Q221 **Chair:** I think we are all agreed here that we need to do this, an early process, one regulator is required, possibly on a statutory basis. Is that roughly right?

Carol Anderson: It is about understanding what the regulation is going to achieve and making sure any impact from that is helpful for everybody. I am conscious, as we work through that, that if you try to sustain something you are not penalised for doing so and the regulation makes it very difficult from a business model to make decisions. It is definitely something we would want to have a very open discussion about and be party to.

Q222 **Chair:** Lastly from me, I am very grateful for your evidence today, for some of the remarks you have made and for some of the very helpful contributions. There does seem to be a big gap, however, between what we are receiving and securing from our constituents about the concern in the community about bank closures and the warm words you have expressed about this being about what all our customers want.

I had a demonstration in Aberfeldy about the closure of its bank branch. The good people of Aberfeldy don't get particularly excited about many



issues but they did about their branch being closed. Are you sure that you are getting the right type of response from your customers about what is happening in their communities? I am sensing that there is a big gap between all the stuff we have here from our constituents and those who represent some of these groups and what you are telling us—that everything is fine, everything is okay and this is what people want. What explains that gap between what you are getting and what we are getting?

Carol Anderson: I would go back to the start. It is very emotive. It is emotive whether you are a personal customer or a business customer. We get the feedback but what we don't get is the behaviour that says, "I want to keep a bank here so I will move my business". Customers are maybe not using that bank frequently, but it is emotive and they will speak out. I know that when I look at Aberfeldy our numbers are really low. Even when RBS closed out, we did not see an impact from customers saying, "It is so important for a bank to stay here that I am going to move to TSB". That is where we get the breakdown.

Q223 **Chair:** Do any of you have a suggestion about why there is this gap between what we are getting and what you are securing?

Simon Watson: As Carol said, it is very emotive and it absolutely is not a perfect situation. I am very aware of customers with whom we are still in conversation about how we can better support them because they have been used to banking through a branch. Change is very difficult. If we look at it in the round, it is clear that the majority trend is that people are opting for different ways to do their banking because it is the most convenient way for them, but the balance is always about how we ensure that we give customers a choice. That choice might look different. It might no longer be bricks and mortar on a high street; it might be a person, qualified and in your community somewhere, such as a community banker. It is going to take time for that change to bed in and for that to become the new normal.

It is certainly the case, however, that we are actively listening and engaging with all our customers and we are not for a moment saying that the situation is perfect. We are very aware of the difficulty that some customers feel the situation presents for them.

Susan Allen: Our colleagues in our branches feel it very acutely and they do care. I did a call with our branch colleagues the morning after we had made some of the announcements and all their questions were about how we would continue to support our customers. They were not thinking about their own jobs; they were thinking about the people who come in regularly. They are not easy decisions for us to make but when we have made those decisions, they are not marginal decisions either. We do look at it very carefully and if a decision was marginal, we would not close.

Maybe some of the disconnect is to do with how many of our customers today do not use our bank branches. For some people, the branches are an absolutely essential part of the way they do banking. For other people,



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the branches are not important at all. We do want to provide services to all our customers, which means we also need to invest in telephone banking, digital or video or other channels, and that is what we are juggling, making sure we are supporting all our customers in the best way we can.

Chair: Thank you. We have gone over time and I am grateful for your extra time with the Committee this morning. If there is anything further you feel you could usefully contribute to this inquiry, please give us any further information. There were a couple of details that we need and I am sure our Clerks will be able to solicit that from you. Thank you very much for your attendance this morning.