

Ms Harriet Baldwin MP
Chair, Treasury Committee
House of Commons
London
SW1A 0AA

19 April 2024

Dear Ms Baldwin,

Thank you for your letter of 28 March regarding the Committee's questions following my recent appearance. I appreciated the opportunity to appear before the Committee for a discussion about how we are supporting customers through a challenging economic period.

In order to provide the best service to our UK customers, Barclays' recognises the importance of agility to ensure our approach reflects changing customer needs and behaviours, macro-economic factors, market dynamics and evolving regulatory expectations. This was reflected in the evidence I recently shared with the Committee regarding our response to the Consumer Duty, recent outcomes for mortgages and savings customers including stable rates of mortgage arrears and repossessions, and more proactive customer savings behaviours. Further, I highlighted our efforts to reduce customer harm from scams, and continued investment in community banking and cash services including shared infrastructure.

For those who continue to rely on physical banking, we are committed to providing continuity of provision in any community where a branch will be replaced by a shared Banking Hub. In communities where Barclays' branches are in train to close (following announcements made in 2023 and 2024), the majority will receive a Barclays Local service, while a smaller proportion will remain open until Cash Access UK (CAUK) have established a hub, or an alternative cash solution. To ensure physical banking remains sustainable, we are focused on accelerating the roll out of shared infrastructure in locations where it is needed, working with CAUK and our peers.

As you set out in the Committee, banks' interest margins have increased in a higher rate environment, however this does not reflect the full range of retail banking dynamics in the UK market. The relationship between net interest income, profitability and pricing is complex. The bank's balance sheets are managed to ensure stability throughout the interest rate cycle and are sensitive to regulatory changes, evolving customer needs, market dynamics, as well as macro-economic factors. Barclays' analysis indicates that our margins from interest income are broadly flat compared to the year pre-covid (2019).

More broadly, Barclays recently reaffirmed its commitment to the UK market. This reflects the continued role we expect to play not just in supporting our customers and clients through retail banking products and services, but contributing more widely to UK prosperity. This includes playing our part in stopping scams at source, enhancing financial capability and digital inclusion, whilst seeking opportunities to enable the transition to Net Zero.

I have responded to each specific question in turn below in the annex of this response.

Yours Sincerely,



Vim Maru

CEO, Barclays UK

Annex

Follow-up questions from oral evidence session 20 March

1. What are the repossession rates for your mortgage book in 2022 and 2023 and what is your forecast for this year (Qq 108-110)?

Repossessions are always a last resort, demonstrated by the low number of cases across the industry over recent years. Wherever possible we seek to keep a customer in their home even if they are struggling with payment difficulties. As context, in 2019, repossessions impacted 0.03% of our mortgage book, and by 2022 that number had fallen to below 0.01% as activity paused during the covid-19 pandemic. Last year, although Barclays recorded a small rise in repossessions as a result of court actions restarting following the pandemic moratorium the trend remained lower than 0.02% of our mortgage book. In real terms this equates to a rise from a monthly average of 5 customers in 2022 to 9 customers in 2023. While we expect to see this normalisation continue in 2024, we do not expect the trend to surpass pre-covid levels.

For those in, or at risk of financial hardship, we offer a range of tools to help them get back on track with their payments, including support aligned to the Mortgage Charter and regulated forbearance options which can be tailored to individual circumstances. Any customers worried about their payments should reach out to their bank for support.

2. Have you any reflections on the set up of the Business Banking Resolution Service, and why it was not more successful in giving compensation to aggrieved consumers? (Qq 134-136)

Barclays has been part of the Business Banking Resolution Service (BBRS) since it was launched in 2021. The eligibility criteria for the BBRS were discussed in depth ahead of the launch, and agreed by the implementation Steering Group, which comprised nominees from seven SME bodies and representative groups; the seven participating banks; an independent Chair with strong ombudsman industry credentials and with observers from HM Treasury, Financial Conduct Authority, the Financial Ombudsman Service (FOS) and UK Finance.

The BBRS was established with two distinct schemes, each with different eligibility criteria:

- The 'contemporary scheme' was established to review complaints from 2019 onwards, broadly aligning to the FOS eligibility criteria, but for larger SMEs (up to £10m turnover).
- The 'historic scheme' was set up to review complaints dated between 2001 and 2019, for businesses with turnovers up to £6.5m, covering 99% of the SME market. This threshold was decided as it aligned with the new FOS upper threshold, which took effect from 2019. The historic scheme was established to review complaints for SME customers that had not previously been reviewed by an independent third party. It was not intended as an opportunity to re-review complaints from previous redress schemes or that had already been reviewed by the FOS.

As the Committee knows, case volumes through the BBRS have been low from the start, despite extensive marketing and engagement campaigns to ensure that consumer awareness levels were high. We believe that this trend demonstrates the low volume of businesses in the £6.5m-£10m turnover bracket (contemporary scheme), due to the alternative routes that they have for redress.

3. What are the criteria Barclays uses to decide when to close a bank branch? (Q 152)

Any decision to close a branch is taken seriously. We undertake robust analysis examining a wide range of data points which are reviewed as part of a broader decision-making framework. The data informs the way we support customers in a specific location, either via operating a traditional branch or providing alternative banking solutions. Alternative banking solutions include our Barclays Local format (a face-to-face community support presence in places such as town halls and libraries), mobile vans and banking pods.

Alongside ensuring ongoing compliance with our regulatory obligations, we consider the type of format that will best support customers in a particular location, using the following criteria and a range of data points to assess each of them:

- Customer needs and behaviours (including branch usage and vulnerability characteristics);
- Proximity to and design of other free-to-use cash and banking services (including Post Offices);
- Transactional information; and
- Local dynamics (including local public transport links).

3.a. Have the criteria you use for branch closures changed recently, and if so how? Have you changed the information you provide when closing a branch? (Qq 153-154)*

We have not materially changed our criteria for assessing community banking needs, however our approach to data analysis is iterative and evolves in response to a range of factors including regulatory requirements (for example, the FCA updated Guidance on branch closures and conversions). Each closure is carried out in accordance with our regulatory obligations, this includes informing and engaging the FCA in advance of any branch closure.

We have a robust customer contact strategy for all local changes in service provision, including direct outreach to our more vulnerable and elderly personal customers, as well business customers who will be most impacted. We offer support to customers who wish to discuss how they can continue to bank with us following a branch closure, as well as more general sessions on ways to bank, fraud and scam awareness, and digital education.

Our 'Reasons for Closure' booklet is published online and shared with local stakeholders, including Members of Parliament and Councillors. The booklet includes key data points on why we made the decision to close in-line with specified criteria and information about alternative services and support available for customers. In recent years we have continued

to evolve the content of this document, with the intent of making it clearer and simpler for customers, whilst continuing to meet our regulatory obligations. Feedback to this change is being taken seriously, and we will review this document with due consideration of customer and stakeholder perspectives, as well as the new FCA Access to Cash rules (due to come into force later this year) and the Consumer Duty.

4. Is there scope for more effective cooperation when operating banking hubs? What are the opportunities for expanding the services currently available in banking hubs? (Q 147)

We believe a co-ordinated approach via banking hubs can provide a sustainable safety net for vulnerable customers, deliver great outcomes for consumers and support cash-heavy small businesses. Barclays believes that accelerating hub rollout, for example by deploying into communities where banks have not yet closed, with support from Government to ensure this is done in compliance with competition law, has the potential to enhance outcomes from collaboration.

Barclays, as a member of Cash Access UK (CAUK), works closely with the CAUK Board to ensure banking hubs are providing the right services to support customers and communities. To the extent possible, we believe service offerings across firms should be standardised across brands. Barclays customers can access the majority of services in hubs and in branches, including open a new Barclays account, register a bereavement, provide evidence of identity and much more with the Barclays community bankers. Our service offering is kept under review and we will introduce new services as appropriate.

We believe continuity of provision is key, including for any community with the needs profile where a banking hub is required. In communities where Barclays branches are in train to close (following announcements made in 2023 and 2024), the majority will receive a Barclays Local service, while a smaller proportion will remain until CAUK have established a hub, or an alternative cash solution.

5. How much interest income has your bank earned from central bank reserves in 2022 and 2023? How do you anticipate this will change in 2024?(Q 166)

Information about our interest income is published in Barclays Bank UK Annual Report. Recently published figures associated with interest generated from cash held at the central bank are £819m (2022) and £1,878m (2023). Our forecast for interest income for 2024 is confidential, however, we expect it to fluctuate in-line with base rate changes and as a result of wider market dynamics.

The value of Barclays Bank UK PLCs' deposits with the Bank of England varies dependent on a range factors, including our regulatory obligations, our customer strategy and wider market dynamics. These deposits are one driver of our net interest income. Barclays' balance sheet has a number of funding sources, including government bonds and mortgages, which are offset by a range of costs and liabilities. As such, the relationship between interest income, profitability and pricing is complex and is assessed across the interest rate cycle to ensure stability and resilience.

6. Can you advise us on what more you can do to close the gap between what you are offering by way of the interest rates on deposits, both for term and instant accounts, and the Bank rate? Could you also set out your intended policy when the Bank rate begins to fall? (Q 175)

In-line with our previous evidence to the Committee, comparisons between base rate and pricing of individual products does not necessarily reflect the full range of retail banking dynamics. Barclays monitors customer outcomes from our savings range on an ongoing basis including against Fair Value criteria (as is required under the Consumer Duty). Pricing is regularly reviewed based on a range of factors: customer strategy, regulatory obligations, market dynamics, risk factors and monetary policy. Monetary policy is just one factor and varies in relation to the product construct. For example, fixed rate savings products – similar to fixed rate mortgages - are impacted by swap rates which set a market-wide price for interest rate risk. Our pass-through rate is regularly assessed as part of pricing governance and has increased as the bank rate has risen.

Barclays' focus is on supporting our customers' full range of savings needs through a variety of competitive products. Our analysis indicates that around half of our customers could benefit from building a savings habit (5.3m), while a similar proportion are at the start of the journey towards growing their savings pot. A smaller proportion have higher savings balances that could be optimised through money management. Therefore, our product range offers varying interest rates for different savings goals, including our Rainy Day Saver (5.12% up to £5000) which incentivises customers to build a savings habit while maintaining instant access to their money. Our Flexible Bonds (4.7%) offer higher rates for making fewer withdrawals, and our Fixed Rate Bond (4.6%) rewards locking money away for longer for customers who can grow or optimise their savings. All Barclays' savings rates can be found on our website.

We are equally committed to maintaining simplicity across our savings range to promote choice for our customers, supported by extensive communications to increase awareness of their options. As previously explained to the Committee, we have reduced the number of savings products on offer and ensured that each can be linked to different types of savings goals. Over the last 12 months, 10.5m Barclays customers were contacted about their savings across a range of channels (most of these more than 10 times), including targeted outreach where our data indicated an individual could benefit from optimising their balance. As a result, more Barclays customers are proactively managing their savings and shopping around for the best rates. This is evidenced by a three-fold increase in the value of savings in our medium and longer-term savings products and a 65% growth in new account openings over the last 12 months.

In terms of passing through any Bank of England Base Rate reductions (with decisions taking in accordance with the approach set out above), Barclays' policy is in-line with our Conduct and Payments regulation obligations (including adherence to the Consumer Duty). Existing customers will be notified of any changes via their contact method of preference, with the majority of customers receiving at least 60 days' notice of the change. These customers will

also be prompted to consider if there are better products to meet their needs. New customers will be notified of the rate changes through the account opening journey so that they are clear on the rates they will receive with our products.