

5 August 2021

Lloyds Banking Group plc
25 Gresham Street
London
EC2V 7HN



Rt Hon Mel Stride MP
Chair of the Treasury Committee
House of Commons
London SW1A 0AA

Letter sent by email

Dear Mr Stride,

Thank you for your letter of 15 July seeking information about Lloyds Banking Group's approach to branch closures.

Banking is having to evolve rapidly to meet the fast-changing needs of its customers. Branches remain an essential part of our services, but usage continues to fall steadily as customers increasingly switch from in-person to digital and telephone services to meet their everyday banking needs. We are focused on ensuring our services remain accessible to our customers in as many ways as possible, while making sure that we put our resources into the services more and more customers are asking for.

I have addressed each of your specific questions in turn below.

Our current number of branches

Lloyds Banking Group had 1,567 branches at 30 June this year. This includes 808 Lloyds Bank branches, 575 Halifax branches and 184 Bank of Scotland branches.

Our number of branches which are the 'last branch in town'

All high street businesses are having to evolve as more and more customers switch to online. Banks, like other customer-facing businesses, are having to adapt the shape and scale of their physical presence. The pandemic appears to have accelerated these trends, requiring businesses to adjust their operations to changing levels of demand.

We look at where our customers shop, work, live and bank to help us understand a community's particular cash and banking needs. Before reaching any decision about a branch closure, we look at the availability of suitable alternatives. This will include assessing the service offered by the Post Office locally, the cash machines in the area as well as public transport to take customers to the next nearest alternative branch. We have 118 branches where there is no other bank or building society branch in the community.

Although the way people bank is changing, we are committed to preserving current access to cash levels. Research by Bristol University last year found that 93 per cent of people had access to cash within 1km of where they live.

Our branch presence is enhanced through our long-standing commercial partnership with the Post Office. Our personal and small business customers can access day-to-day banking services in any of the Post Office's 11,500 outlets. We remain committed to this relationship, indeed I personally wrote to the Post Office CEO suggesting they might like to consider a longer-term agreement as part of their considerations under the Banking Framework 3 commercial discussions to provide an even greater sense of security and certainty.

In addition to our Post Office partnership, we are also taking an active role in wider industry initiatives including the Community Access to Cash Pilot scheme. Lloyds Banking Group collaborated with the Post Office to open an experimental 'Bank Hub' run by the Post Office in Rochford, Essex, as part of the pilot scheme.

We have also launched a cashback pilot scheme to make cash available via retailers in areas where there is more limited availability. So far, more than 400 retailers have agreed to participate. We are members of LINK, the cash machine network, which has schemes in place to protect access in areas where it is most needed.

Innovation in telephone banking, such as voice biometrics, has made it easier for our vulnerable customers to complete transactions from home. We have 6,500 colleagues in our telephone banking teams who are also able to assist with the most sensitive transactions. This includes 800 branch colleagues who moved into our contact centres last year given increased customer demands. We have dedicated support teams for those affected by cancer, domestic abuse, bereavements or who need emergency access to a relative's accounts, and we have a prioritised over 70's line.

Our number of mobile branches

As at 30 June, we had 51 mobile branch routes covering 232 communities.

Our plans to maintain branch numbers for the next three years

Lloyds Banking Group has the biggest branch network in the UK. We do not set targets for the size of our branch network, but we keep it under continuous review.

Across all the Group's branches, transactions have fallen 10 per cent a year in the five years to March 2020, and significantly further in the year since then. With further developments in Open Banking and new fintech products and services, we expect this pace of change to increase. More than 80 per cent of products are now opened online, as increasingly customers choose to do their day-to-day banking in different ways.

While we have closed branches in areas where usage has fallen significantly, we also invest in new branch formats to suit customer needs. This includes specialist services available at our flagship Halifax, Bank of Scotland and Lloyds Bank branches.

The factors we consider when deciding to close a branch

We use more than 100 different measures to assess the impact that closing a branch would have on the local community, as well as considering the other ways customers can access banking in the area. This includes analysing the number of customers who use the branch regularly; the distance to alternative branches;

access to ATMs; the availability of the Post Office and mobile branches; the number of vulnerable customers; and other wider socio-economic factors.

When carrying out a review members of our team visit the community and assess the area to see the impact a potential closure will have with a specific focus on vulnerable customers. This allows us to be sure we are satisfied with the alternatives before we go ahead with the closure. We may decide not to go ahead if, for example, we identified inadequate disabled access at alternative access to cash locations, or poor provision locally of cash machines.

The consultation process we go through when we close a branch

Branch closures are a commercial decision but customers' needs are at the heart of everything we do. We are committed to the Access to Banking Standard which sets out how closure decisions should be communicated, and we adhere to the guidance set out by the Financial Conduct Authority and the Lending Standards Board (LSB). We inform them of the branches that we are proposing to close and advise them how we have considered the needs of customers, particularly those who are vulnerable. We also advise them of the alternative access to banking and cash that we will have in place.

We tell customers, and a range of other stakeholders, including the constituency MP, of the decision to close a branch as soon as we are ready to do so, and at least 12 weeks before the closure happens. Customers are directed to our branch review document which provides the main reasons for closure, what the alternatives are and how they can be accessed.

From the point at which we announce our intention to close a branch, we speak to local community stakeholders and others who may have an interest. This includes LINK, the central Post Office team, Age UK, Mental Health UK and Alzheimer's UK. Within the community, we speak to the local Chamber of Commerce, Citizen Advice Bureau, the local Post Office, customers using the branch and we contact vulnerable customers, elderly customers and businesses who use the branch.

Prior to closure, we publish details of feedback from stakeholders and we explain how issues raised by them have been addressed. We also contact those customers who require additional assistance from us.

The support we provide to customers when we close a branch within a community

As soon as we announce a closure, we write to customers who have been identified as 'impacted customers' in line with the Standard, to inform them of our decision and posters are put up in the branch alongside leaflets with further information.

Branch colleagues are trained to support vulnerable customers and will provide support through individual conversations. These conversations are designed to help customers with additional needs access alternative banking options such as the Post Office, others nearby or mobile branches.

Our colleagues work with customers to try to resolve any potential issues. This can include ordering debit cards to allow customers to use ATMs and support them in learning how to use them, to more specific issues such as arranging for customers with accessibility issues to transact at their nearest Post Office without a PIN.

We also support customers who want to know more about digital and telephone banking. We have introduced voice biometrics to our telephone system to make it easier for customers to access our services without the need to remember

passwords.

We contact business customers who use the branch for high levels of cash transactions to discuss more convenient bulk cash products.

We also consider what support can be provided to help customers start to take advantage of new ways of banking. We work with We Are Digital to provide a helpline and service to help people access devices and digital skills support. We are also able to provide a basic tablet device, and a SIM card with data to those who need it. To date the service has supported over 12,500 people and donated more than 1,000 devices.

We believe our processes are robust and, while we have to adapt to the changing behaviour of our customers, we are keen to support an adaptable UK-wide infrastructure that recognises the need to retain suitable cash access for those who will continue to need it. Specifically in this regard we believe that the guidelines governing how we approach closures should be extended to apply to other cash providers including independent ATM operators and the Post Office.

Yours sincerely,

Russell Galley

Managing Director,

Halifax Bank and Business Optimisation