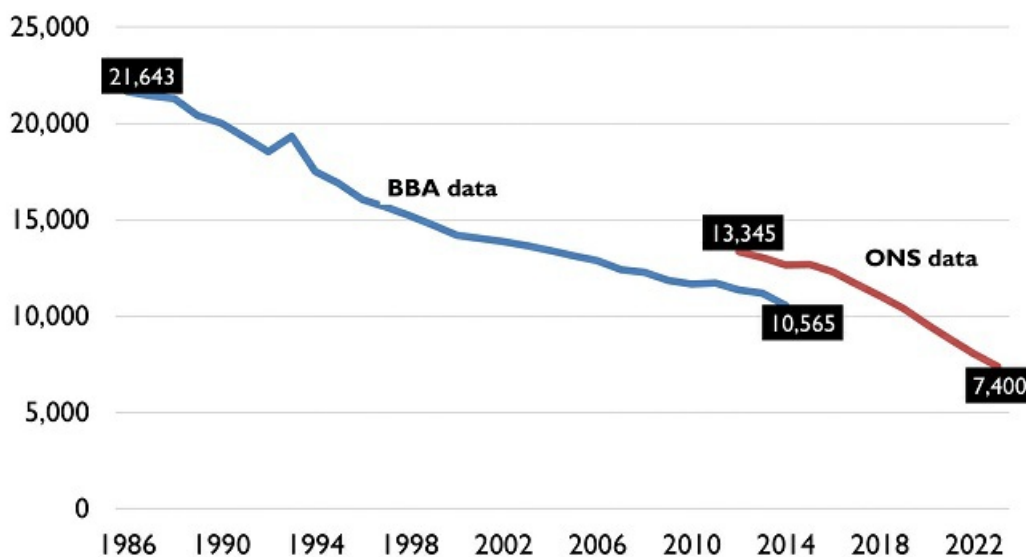


## UK bank behaviour ‘shameless and shameful’

The August 2023 passage of a legislative mandate for Britain’s Financial Conduct Authority (FCA) to police bank branch closures did not strike fear into the hearts of UK banks. Far from it: While the FCA is working up its new “regulatory regime”—expected to be finalised by the third quarter of 2024—British banks continue to close their branches at pace, likely to get their closures in ahead of the new rules being rolled out. As in Australia, the only way to stop them is to bring a new, public bank competitor onto the scene.

A 20 March hearing of the House of Commons Treasury Committee saw MPs roasting the CEOs of Barclays, Lloyds Banking Group, Santander, and NatWest about their soaring closures and an even greater disregard for transparency in their actions than usual.

Anne Marie Morris, Conservative MP for Newton Abbot, charged that “we have less than half the number [of bank branches] that existed in the 1980s” and that “The rate of closure has been accelerating. ... Most of your customers are perplexed and do not feel like they have any idea when these cuts are going to stop. They do not understand how decisions are being made.”



Total number of bank branches and building societies in the UK since 1986. The number of bank branches (not including building societies) in operation in the UK fell from 14,689 in 1986 to 5,745 in 2023. Photo: lordslibrary.parliament.uk

In the southwest of the country, where Morris is from, “since 2012 we have lost 45 per cent of our branches”, she noted. A total of nearly 6,000 branches have been shut nationwide since 2015, according to which.co.uk, a site which monitors closures, a rate of over 50 per month. “Customers are concerned”, said Morris, adding that she is frequently contacted by constituents who feel that “there is no consultation with the community” but, referring to the new legislation, she said, “you are regulated by the FCA and you now have a consumer duty. It seems to me that *that ought to change the dynamic*. I would like to know at what point we are going to have an end to branch closures and whether or not this consumer duty will lead you to better engage with communities.” (Emphasis added.)

Conservative MP for Suffolk Coastal Dr Thérèse Coffey pointedly asked each CEO how many branches they had remaining: Barclays has 300, down from 1,577 in 2013; NatWest, 553 branches; Lloyds 1,010 branches; Santander 444.

“I want to understand the criteria you are using at the moment. I am focusing on Barclays in particular because—I have said this publicly and I will say it again to your face—you are *shameless and shameful in your approach to your customers*. The majority of your profit in the UK now comes from retail banking. It really does indicate that you do not care. [Emphasis added.]

“What has happened in terms of the information?” continued Coffey. “You used to provide more detailed information when you said you were closing. For example, for Leiston it says that 64 per cent use the branch regularly and 80 per cent use the branch and use other access. That is not a lot of information to share. What are the criteria for closing banks?” She went on to add that “less and less information is being given to customers to justify why bank branches are being closed. What is the change? It has changed within the last 12 months.”

The bank CEOs denied any knowledge of a shift, and continued to cite “feedback from customers”, “long lists of criteria” and “hard data around usage” as the reason for closures. Charlie Nunn, Lloyds Banking Group CEO, noted that when a branch is closed the bank monitors “usage of the alternative

channels” for banking, and “whether we see any customers moving away from us”. This cannot be interpreted as justifying closure decisions, because in many communities, there is no alternative bank with local branches for customers to move to.

According to Nunn, bank customers “get better advice on the phone or digitally than in person, because we can give them access to a more qualified individual.” (Never mind that it will take you an hour on hold and the person you speak to doesn’t know you, your business, or your region.) His claim that “we do what our customers are asking for” provoked an interesting response from Morris: “This reminds me of the consultation at First Great Western [British train line]. They asked passengers whether they would prefer to have an at-seat service. They did not say, ‘You are also going to lose the main café on the train’. If they had asked the question in that way, the answer would have been, ‘We want both, please’.”

Nunn even tried to claim “a massive presence in every community”. Such was the disconnection from what was being presented to them, the Chair of the hearing, Conservative MP Harriet Baldwin, inquired: “Have you all been asked and trained to sit there writing down the questions, not answering and shuffling in your seats?”

## Excuses

Morris declared flawed the stop-gap solution of “bank hubs”, which is often cited by banks to justify their closures. This involves various banks sharing a site, often in combination with the Post Office, but with insufficient resourcing the program has lagged significantly, often 12 months beyond the closure of the last bank in town.

Said Morris: “If you look at the places where hubs are being established, LINK [ATM network] and Cash Access [a not-for-profit company providing cash and basic banking services, outside of regular bank branches, funded by British banks] cannot find sites that are suitable. *We have one hub in a public lavatory. I hope you are not proud of that.* Right now 33 are open, but there are 109 for which there is absolutely no hope, certainly with the existing criteria, of opening within the 12-month period post-closure of the last bank standing.” (Emphasis added.)

Morris cited a branch closure in her local town, where a suitable site for a banking hub has not been located, yet the bank has refused to keep the branch open. Addressing all CEOs, Morris asked: “When is this going to stop?”



This branch is closing –  
but we're still here to help

Our Beaconsfield branch is closing  
on Friday 1 July 2022.

Branch closure feedback, and alternative ways to bank



Barclays posted “feedback” statements for hundreds of banks it is closing, which summarised community “concerns” and “impacts” in around 50-100 words, and directed people to the Post Office, online or telephone banking, and ATMs. Photo: Screenshot

One by one the bank CEOs dodged the question, claiming they are “responding to the behaviour shift in consumer demand and expectations” (Barclays CEO, Vim Maru), citing numerous “data points” without reference to actual people or their concerns, and deploying new, invented terms such as “touch points” they are opening. Touch points, according to Maru, include hubs and “Barclays local” outlets, which are facilities set up in “libraries and the like—to help make sure we are close to communities”. So now we can bank in lavatories and libraries, but not banks.

Morris hit back hard: “What about the consultation and the overall end-game? What you are telling me is already well known and on the record. *I need to know when the bloodletting will stop.* When will we

know that we have got to the end? *When will we have got to the end of the cull?* Are you going to engage with local communities in a way that heretofore you have not?" (Emphasis added.)

But the bank chiefs continued their apparently unassailable direction, claiming, contrary to appearances, that their strategy is actually "to increase our local presence". "We are guided by our customers", said Nunn from Lloyds. We are "investing significantly" in the Post Office, ATMS, and banking hubs. Santander CEO Mike Regnier bragged that his bank has opened three "work cafés", where customers can share a work space, get a coffee and receive "banking support".

Morris dismissed this, arguing that such services are "nothing like what used to be offered in branches". Even in bank hubs, she noted, there are basic problems such as printers that won't work on all the different banks' systems. Coffey added: "I have had complaints in my own constituency in Woodbridge of touch points being not particularly private when you go to discuss things. They are in a garden centre. They wait outside in the rain. There is a combination of factors and some things that are not working. I have to say that they did not listen to feedback." Banking in garden centres, lavatories, libraries and cafés, but not banks!

## **Taxpayer foots the bill**

Addressing the banks' increased dependence on the Post Office, Coffey noted that "the taxpayer subsidises a lot of rural post offices to the tune of £50 million a year. By the way, that service is falling as well."

She also raised the issue of fraud and scams where people "have nowhere to turn. They used to be able to go to our branches. That is not just for cash. As Anne Marie Morris says, there are things like getting probate sorted for wills. There are all these other things that local touch points and the Post Office do not cater for." She was targeting her questioning at Barclays, she explained, "because you used to have eight branches in my constituency and within about two months' time you will have zero."

Keith Mather, Labour MP for Selby and Ainsty, pointed out: "The banks received a bailout equivalent to £137 billion during the 2008 financial crisis. If you look at the issue of bank closures, for every branch that you close you save a yearly operating cost of £617,000. This is in a context where cost of living pressures are really acute for a lot of your customers. You are also benefiting from the base rate being higher due to things like energy shocks and the war in Ukraine.

"Would you sympathise with the view that many of our constituents implicitly hold that it seems like they struggle more and more, but the banks always seem to be insulated from these headwinds when they occur?"

Barclays' Maru pulled out the violins, claiming that bank profits are roughly equivalent to what they were in 2019, pre-COVID bailouts, and that "the cost of living ... is also impacting us". He insisted, "We are very thoughtful about the people who want or need face-to-face guidance, which is why we are growing the number of touch points during the course of this year."

Maru also upheld his alternative reality regarding Barclay's purchase of Tesco Bank, claiming "a high level of competition in the market", with challenger banks, neobanks, credit card lenders and foreign exchange providers entering: "there is a broad-based market with lots of participants who are competing very hard to serve customers well. The banks that win will be the banks that serve their customers really well and understand their needs."

Clearly this has not worked. Only a real competitor—a public bank with a widespread footprint—will pull up the banks. The banks would be forced to retain branches, and proper services, as even their irrefutable data points would quickly show their customers fleeing to the bank which has a physical presence. Right now there is no alternative that fills that function, a deficit which must be remedied by government intervention.

*By Elisa Barwick, Australian Alert Service, 28 April 2024*