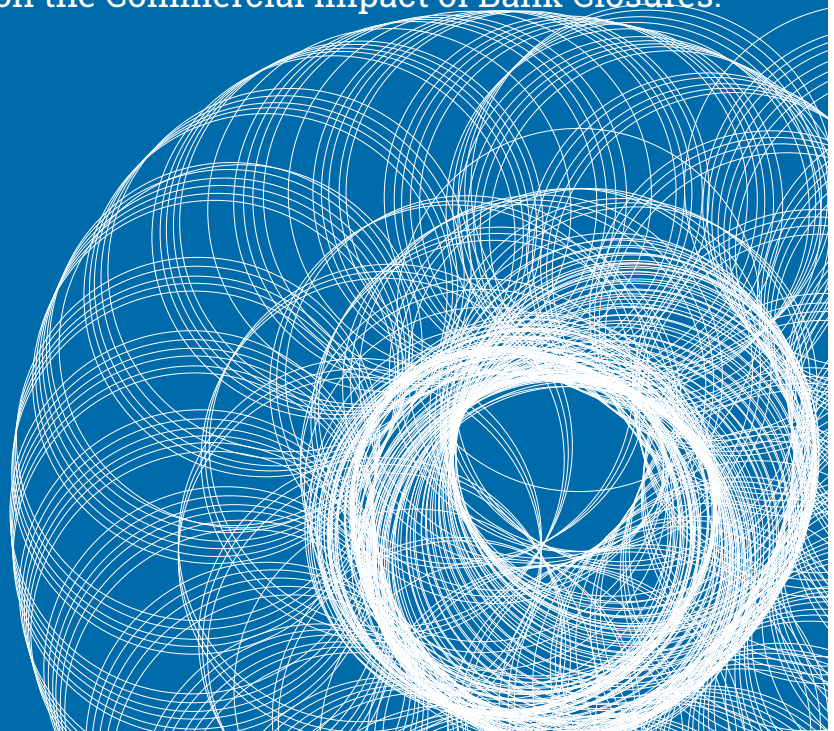


Policy Response

Survey on Local Bank Closures Across Scotland

Evidence presented to The Scottish Government's Economy, Jobs and Fair Work Committee on the Commercial Impact of Bank Closures.



Tonie McKay
April 2018

About Scotianomics

In the 21st century data is everywhere but it is the analysis that transforms data into valuable, actionable knowledge that is key to success.

Organisations, both in Scotland's private and public sectors, lack access to useful, reliable data and value-added analysis of the kind that most advanced countries take for granted. This creates a hidden but real disadvantage for Scottish business, limits public policy and disrupts the pursuit of shared prosperity.

Scotianomics aims to spark a knowledge revolution and inform the decision-makers on Scotland's economy. We provide cutting-edge intelligence and strategic planning resources so that stakeholders can gain a wide view of the threats and opportunities in the world through our geopolitical, economic and policy analysis, unique historical datasets, risk and opportunity forecasts, Geographic Information System mapping solutions and strategic planning services.

Gordon MacIntyre-Kemp

Director

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Executive Summary

1. This paper introduces a survey we have conducted of businesses in Scotland to ascertain how they have been affected by the rising occurrence of bank closures across Scotland.
2. According to figures from the ONS, the number of bank branches in Scotland has reduced by a third between 2010 and 2017, decreasing from a total of 1,505 to 990 branches.
3. Around 80% of the respondents knew of one or more banks that had closed in their area since 2010.
4. 96% stated it would have a negative impact on their business, and only 4% predicted a positive impact.
5. Almost 80% of the personal banking respondents knew of one or more banks that had closed in their area since 2010. Of these individuals, 60% said that the bank closures were likely to impact them as a personal banker, whilst 40% thought that it would not.
6. Creating local banking hubs where individuals can process cash and banking services for multiple bank brands.
7. A national retail bank owned and run by the Scottish Government. This could be vital in safeguarding business operation and even protecting local communities from depopulation.
8. Certain UK banks are essentially publicly owned and should be required to deliver a certain level of service to rural areas – this could include an element of geographic zoning.
9. The Scottish Government could underwrite a Scottish digital currency and encourage local currencies, as has been successfully piloted in many European cities and rural areas, especially in Germany. This would reduce the need for holding sterling and as local currencies are limited in their place of exchange, they are less likely to be targets for criminals.
10. Credit unions and cooperatives are able to work on lower margins and pay back to the communities in which they operate. The Scottish Government should investigate the opportunities from the collaborative economy to address this market failure.

Introduction

This paper introduces a survey we have conducted of businesses in Scotland to ascertain how they have been affected by the rising occurrence of bank closures across Scotland. This is in response to the Scottish Government's Economy, Jobs and Fair Work Committee call for evidence on the commercial impact of bank closures on businesses in Scotland.

According to figures from the ONS, the number of bank branches in Scotland has reduced by a third between 2010 and 2017, decreasing from a total of 1,505 to 990 branches.

We engaged the business community to get a more detailed understanding of how bank closures have impacted on them and the specific problems that a lack of bank branch access can create for businesses. All the questions can be found in the Appendix.

In this report, we present the respondents' comments on local bank closures, as well as their suggestions on the alternatives to these closures. Of those who stated an opinion, 96% predicted that bank closures would have a negative impact on their business. This is a significant and worrying finding and should be of interest to policy makers.

About the respondents

We obtained 127 responses in total. Our survey allowed respondents to answer either as a business owner and/or personal banking customer.

Section one will provide a summary of the answers and comments from the business owners, whilst section two will focus on the comments from respondents answering as a personal banking customer.

Note: The percentages have been rounded up.

Responses from business owners

In total, around 80% of the all respondents were business owners.

Most of the respondents (around 83%) operated micro-sized businesses. Whilst 14% managed small businesses, 2% had medium-sized businesses and 1% directed large businesses.

Most of the business owners responded as the holders of business bank accounts (91%). In addition to this, 32% have received specialist business advice or a loan from their local bank branch at some point.

Figure 1. Size of the respondents' businesses

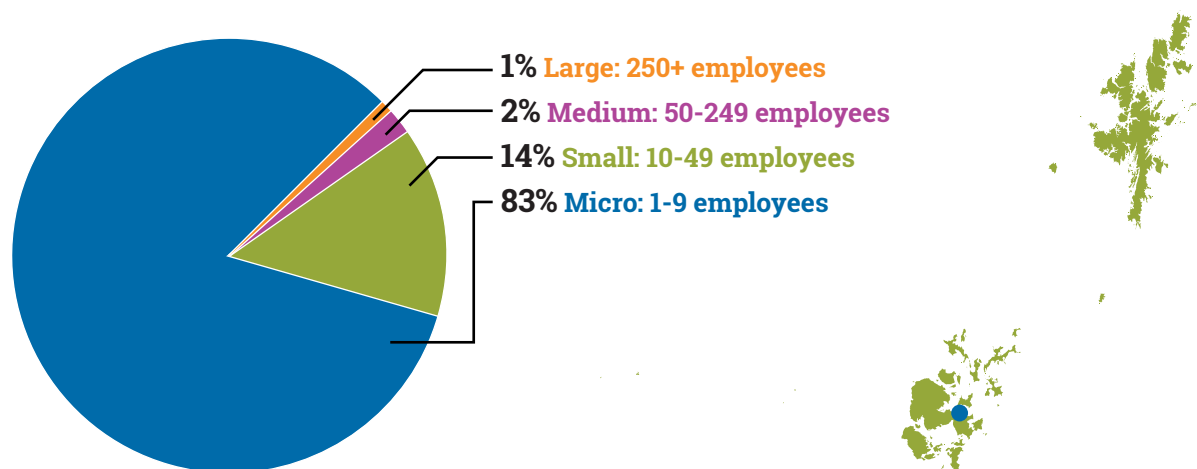
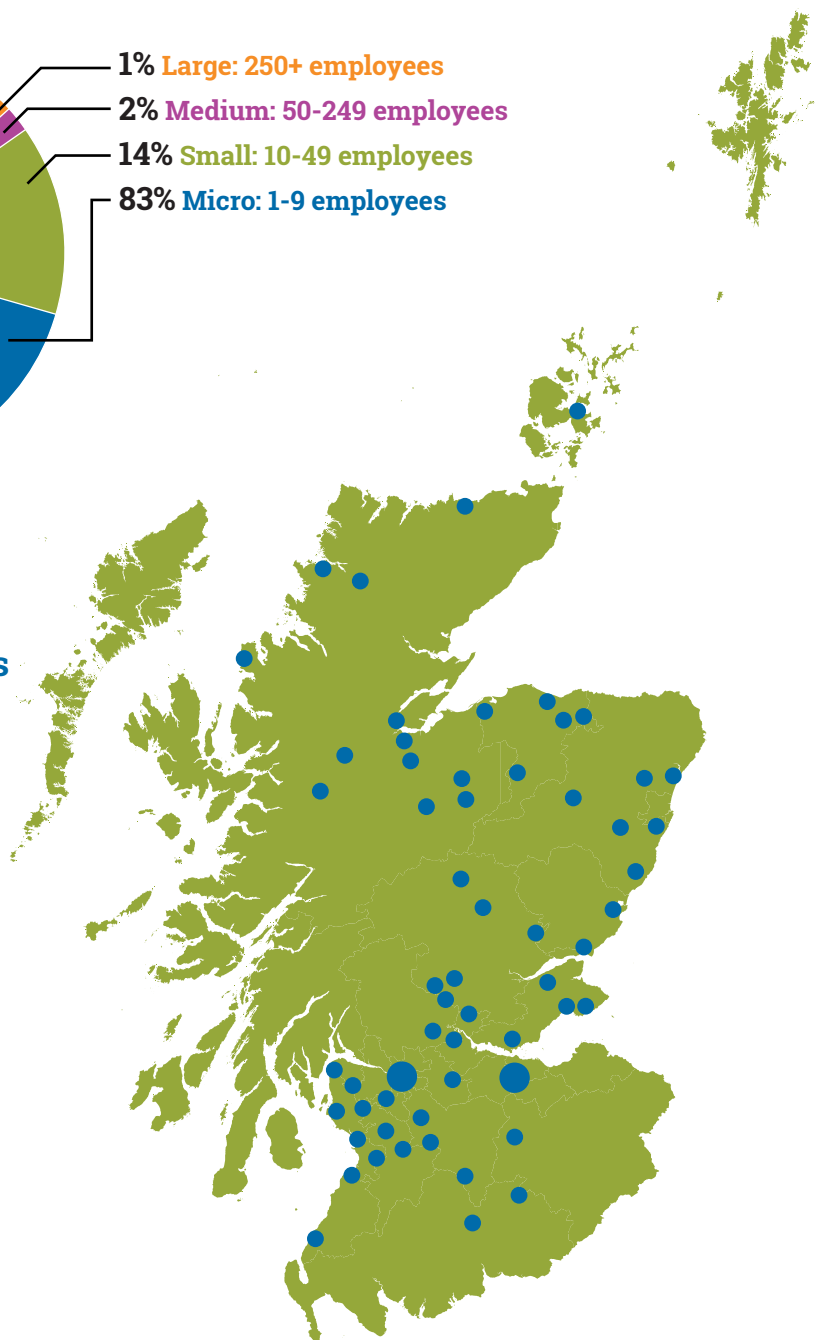


Figure 2. Location of the respondents' businesses



Responses and comments about bank closures from business owners

Around 80% of the respondents knew of one or more banks that had closed in their area since 2010, whilst around 14% were 'not sure' and 5% answered 'no'. Some of the responses concerning this were:

"Yes - THREE banks! None left now in Cambuslang!"

"Very concerned as Pitlochry and Aberfeldy are due to close which will impact on me and our guests"

"Clydesdale Strathaven; TSB Newton Mearns; RBS Strathaven imminent, plus others in Hamilton and EK"

"In Inverclyde RBS has gone from 6 branches to 1"

" I know of 8 local branches that have closed."

More than half of the business owners' respondents (52%) experienced that a local bank closures had affected their business (whilst 47% did not think it had impacted their business). Many of the respondents said that it impacted them by having to drive a longer distance to get to a bank for essential services, such as depositing cash.

"Used to deposit cheques in Laurencekirk, now Montrose closing as well so nearest RBS 30 miles away."

"Since the closures there is nowhere to deposit cash in our town."

"I now have to bank in Ayr... 32 miles away. (that's half a day of work gone..there and back - 64 miles + petrol + parking charges..all to deposit cash and cheques. The post office 'deposit envelopes' takes far too long.)"

"I used this bank, Bank of Scotland 3 miles from my business, for personal banking however my guests (B&B proprietor) struggle now if they wish to go to a bank, because the closest is 15 miles away and this is due for closure soon, meaning 47 miles to the next."

"It is very inconvenient to visit the branch in Shettleston which they arbitrarily transferred my account to"

Almost 21% of respondents said that they now had to **travel an additional 15 minutes – 1 hour** to access banking facilities, whilst 9% said that the closures had **extended their travels by an additional 1-2 hours**.

As a result of the longer distance to drive to a bank, numerous respondents who regularly receive cheques or cash said that they now had to bring their daily takings home. Having a local bank accessible for these businesses is therefore essential, and as one respondent highlighted, there are several restrictions with online banking;

“digital banking is all very well, but you can’t pay in cash online”

Almost 21% of the business owners said that they **do not have a bank nearby to lodge their daily takings in**.

“Bank closure meant I incur extra travel costs and I have to risk keeping daily takings at home.”

“We run a community cafe as part of the business and the takings are cash which needs depositing, preferably daily. An employee now has to take the money and drop it off on his way home.”

“Times are tough just now with my clients taking a long time to pay their invoices, but now compounded with bank closures as even if I get paid by cheque I don’t have a branch to put it in my account!”

“The local post office is the only place you can lodge cash, but it’s always been very busy when I have visited - once the wait was an hour. I don’t feel particularly safe now when locking up at night, as I now have to take the takings home with me”

The business owners also commented that the bank closures also had impacted their customers.

In total, 15% stated said that the bank closures have had a negative impact on their customers as there were now **fewer, or no, nearby ATMs available for cash withdrawals**. This could particularly affect tourists visiting Scotland. As much as 17% of the business owners said that they currently do not have access to ATMs.

“Obtaining cash is vital for the tourism industry for guests to spend at local attractions and activities. The cashless society I believe cannot happen in the Highlands due to low population density and poor connectivity of all kinds”

"We didn't have our account at any of these banks, but sometimes used them for making payments directly into customers' accounts etc. Our shop customers would often go to one of these banks to make a cash withdrawal in order to pay for purchases from us."

"A lot of my business is carried out in highland Perthshire with wealthy guests. I operate using a cash float for this particular property and the guests use the cash machine at Aberfeldy. If Pitlochry is not available I'll need to travel to a Perth which is crazy"

"At the Feis Ile and busy times on Islay the actual cash machines run out of money as there are 2 bank cash vending machines on the whole island. A couple of shops have machines, but they are not the same, and people have to pay to access their money. Also, I don't know if they deal with people from other countries cards. In Islay we have SO many international visitors."

Some respondents mentioned that rather than going to a bank, they have the alternative of visiting a Post Office instead - a total of 18% said that they now had to use the **Post Office instead of a bank**. Nevertheless, our survey discovered that some respondents do not enjoy going to the Post Office for three reasons. Firstly, there are often long queues. Secondly, it takes longer to get money into an account after cashing a cheque and, thirdly there is no privacy.

"I don't like the Post Office facilities for deposit of cash and cheques... I need money to hit the bank that day, not 7 - 10 days later."

"We have been instructed to use the branch at Byres Road [Glasgow] which is impossible as the parking is non existent and would too long. We therefore now have to use the post office to lodge our cheques which adds another two days to process and the queue is horrendously slow."

"The post office 'deposit envelopes' takes far too long."

Around 45% of respondents said that bank closures would not have an impact on their business. This indicates that service businesses such as consultancies and architects have different banking needs, and those that deal in cash from consumers or are paid in cheques almost universally had problems with bank closures. Some respondents thought that rural areas would be particularly adversely affected, on which one respondent stated;

“All branch closures have the potential to cause inconvenience but the rural closures can be life changing for the local community”

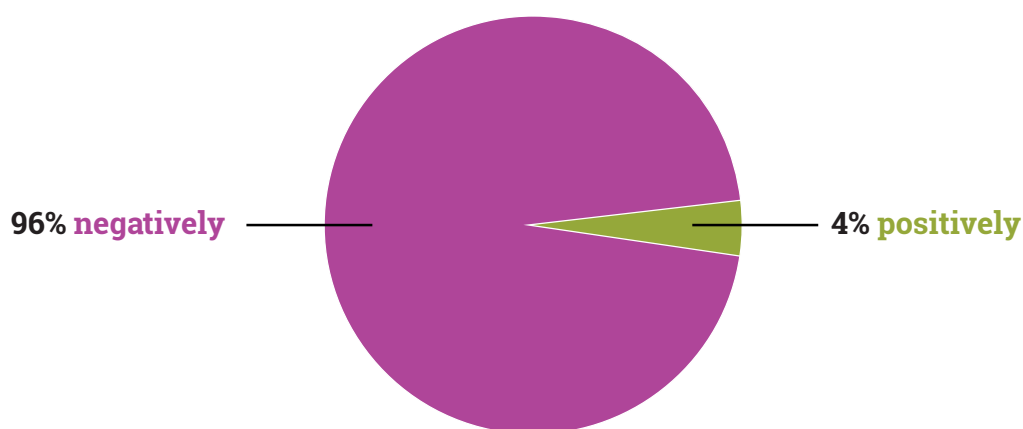
As a result of the bank closures, 21% of the respondents said that they now would have **limited access to business support and advice**.

“Lack of facilities and easily accessible advice makes starting a business harder and more stressful than it needs to be.

Although 51% of respondents were unsure of the impact bank closures would have on their business in the longer term, of those that expressed an opinion, 96% stated it would have a negative impact on their business, and only 4% predicted a positive impact.

Figure 3. Future business impacts

How do you think this will affect your business in the future?



Commenting on the impact, respondents stated:

“More inconvenience.”

“Wasting too much time. Cash-flow interrupted. (AND I still pay the Bank their charges for their ‘service’.)”

“Loss of confidence by SME’s that I assist”

“increases time and petrol due to extended journey”

Possible solutions to local bank closures

When asked about the possible solutions to the bank closures, many of the respondents suggested that the branches should stay open so there is **at least one bank in a town** and that **banks could share premises with other banks or the post office to keep their costs down.**

Many also encouraged the implementation of a Scottish National [Government owned] Retail Bank.

“In a shopping area which previously had three banks there are now none. It would have been more helpful if just one had stayed open.”

“Community banking facilities just like libraries and post offices are important for a healthy local shopping street/area.”

“Ensure some form of accessible banking facility is available for residents and ATMs for visitors”

Sharing offices:

"Banks could share premises to maintain local personal and business contacts - banking hubs."

"Banks should get together to ensure that one bank remains in main towns where they always had one."

"Keep banking premises open, even have banks share premises"

"I believe banks should be on high street, maybe they should share premises different counter different bank"

"Banks could share facilities in rural settings or take on smaller office space."

"Digital banking is going to mean less demand/justification for branches but there needs to be provision for businesses and people in local areas who need branch services. Maybe some innovative solutions are needed, perhaps involving a joint approach between the post office, banks, councils and other possible partners with cash-handling facilities."

Scottish National Investment Bank:

"Scotland should have its own national retail bank"

"We need the Scottish Government to act to replace the commercial bank if essential making services are being removed from rural areas".

Responses from personal banking customers

Figure 4. Location of personal banking respondents

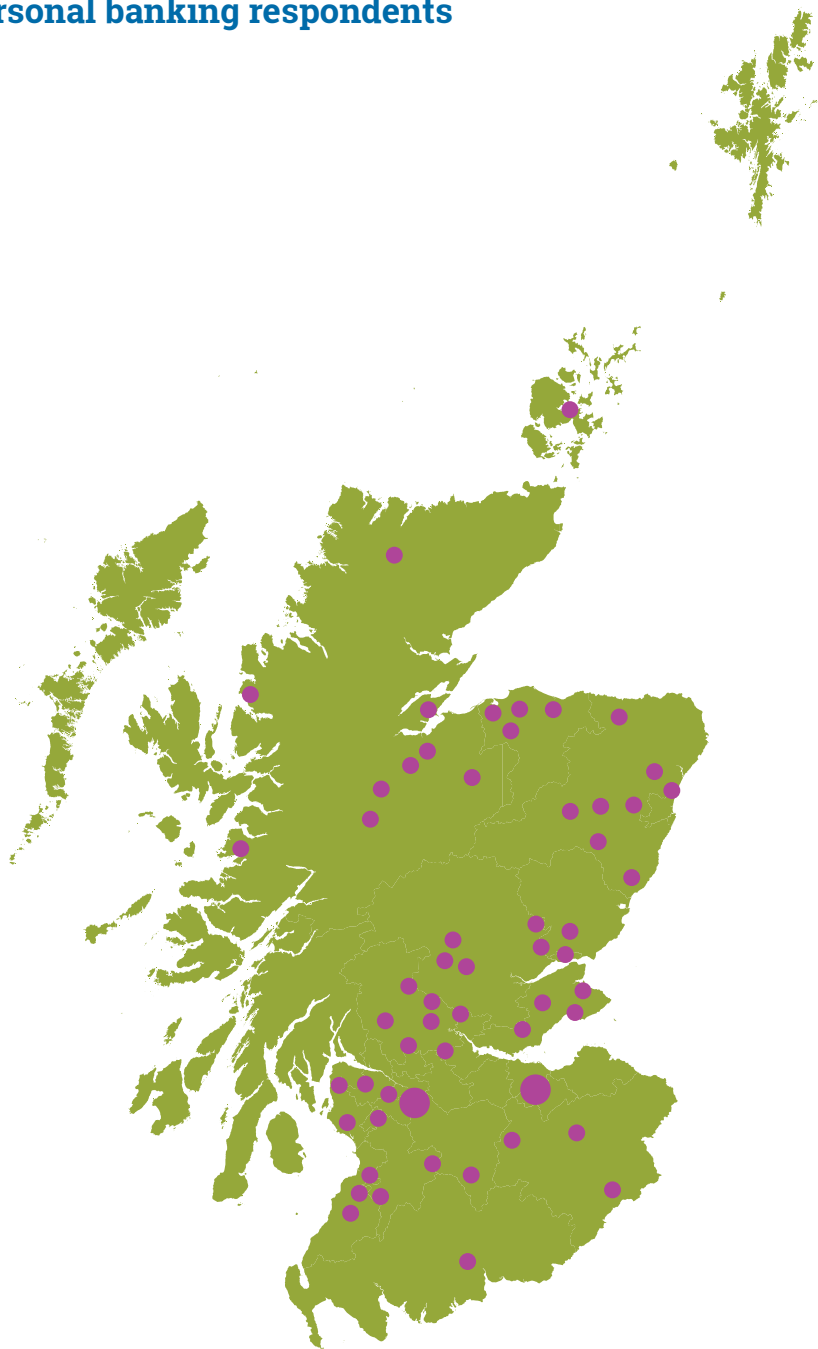
Almost 80% of the personal banking respondents knew of one or more banks that had closed in their area since 2010. Of these individuals, 60% said that the bank closures were likely to impact them as a personal banker, whilst 40% thought that it would not. Comments include;

"It is getting harder and harder to find a location to deal with cash or cheque deposits. I don't have a car (I am 70) and have to travel by bus."

"Lack of face to face contact especially for paying in cheques. Further job losses in banking sector apart from the senior levels and shareholders."

"If local banks close I will have fewer places to pay in. It is also much easier sorting out problems if face to face, than on the phone."

"Less accessibility, whilst some transactions can be done via electronic banking, we still use cheques, and still need to speak to advisors or do bank transactions in person."



“Personally I do online banking and my account is not in Scotland. But, my son with learning difficulties does need access to face to face if anything goes wrong with his banking.

“I do not have the time to travel to the bank due to my work and broadband is not reliable to do online banking”

In line with this, almost 80% said that the local bank closures would affect their local areas and its economy.

“People have less access to cash to make smaller purchases from local businesses, and tend to travel to areas that have a bank , and therefore shop there instead”

“Pensioners will be greatly affected. Many elderly pensioners will struggle to get to a bank in the city.”

“I live and work in a tourism area where cash is used everywhere and if visitors are not able to obtain cash from a bank or ATM our economy will suffer”

Many respondents also highlighted that the bank closures have caused great distress for people across Scotland;

“the closure of the Post Office accounts / bank has already caused great distress amongst the elderly, disabled and unemployed.”

Conclusions

This survey has highlighted significant market failures in the provision of local banking in Scotland. We anticipated that businesses in rural areas would likely report difficulties. The issues were the same for cash handling businesses in rural and urban areas right across Scotland.

The problems caused by bank closures in rural areas can be far greater, simply due to the lack of alternative services. The longer distances required to travel, the lost time and resultant productivity as well as the cost of travel all compound the issue in rural Scotland. Rural areas and smaller towns also seem to experience a wider societal impact as cash handling shops such as local grocers, petrol garages, newsagents, gift shops and pubs are core to creating and maintaining a sense of community as well as making rural life more accessible. They are also vital to tourism.

In the cities, businesses are having to go longer without banking takings. As well as slowing cashflow it can be a major fear for small business owners that holding money makes them more of a target for violent crime. We conclude that the rapid rate of local branch closures in Scotland (especially in rural areas) represents a clear market failure that requires Government intervention.

From the suggestions offered by our respondents we have developed several proposals:

1. **Creating local banking hubs** where individuals can process cash and banking services for multiple bank brands.

This may run foul of the bank branding preferences of the actual banks and could have financial regulation issues but certainly warrants further investigation.

2. A **national retail bank owned and run by the Scottish Government**. This could be vital in safeguarding business operation and even protecting local communities from depopulation.

The Scottish Government may feel it lacks the legislative authority and skills required to essentially set up and operate a banking concern. However, such a concern would not be in competition with commercial banks as there is a clear market failure.

Other suggestions that we also would encourage the exploration of include:

1. Certain UK banks are essentially publicly owned and should **be required to deliver a certain level of service to rural areas** – this could include an element of geographic zoning.

This may, however, be legally challenged by the banks as they would not wish to be forced to deliver unprofitable services.

2. The **Scottish Government could underwrite a Scottish digital currency and encourage local currencies**, as has been successfully piloted in many European cities and rural areas, especially in Germany. This would reduce the need for holding sterling and as local currencies are limited in their place of exchange, they are less likely to be targets for criminals.
3. Credit unions and cooperatives are able to work on lower margins and pay back to the communities in which they operate. The **Scottish Government should investigate the opportunities from the collaborative economy** to address this market failure.

If banks cannot make the required level of returns from branch operations but a national publicly owned bank brand would, then there is a solid case to be made for government intervention to save rural communities and help cash handling businesses operate more effectively, thus creating better environment for small business growth.

Appendix

Survey methodology

The local bank closures survey was set up on Survey Monkey. The survey was sent out to businesses via email on the 22nd of March 2018, and closed 14 days later, which was the 5th of April 2018, receiving a total of 127 responses.

Note: all questions except Q1, 2, 3, 4 and 11 allowed the respondents the option to add a comment.

- Q1. Are you a business owner? (Yes; no)
- Q2. What size is your business? (Micro; small; medium; large)
- Q3. Do you have a business bank account? (Yes; no)
- Q4. Where is your business based? (Please enter your business address postcode - first three letters and numbers eg. G66, AB24. Alternatively, the name of the location)
- Q5. Have you ever received business advice, or a loan, from your local bank? (Yes; no)
- Q6. Do you know of one or more local banks which have closed in your area since 2010? (Yes; no; not sure)
- Q7. Have these bank closure(s) impacted your business? (Yes; no)
- Q8. How have the closure(s) impacted your business? (Please tick all that apply)
- Q9. How do you think this will affect your business in the future? (Positively; negatively; not sure)
- Q10. If you think it will be negatively impacted, what do you think could be done to prevent this?

Answering as a personal banking customer:

- Little or no impact
- Nowhere to lodge daily takings
- Negative impact on customers
- No facility to access change (till float)
- No access to ATM
- Added difficulty in paying bills/invoices
- I now need to travel up to an additional 15 mins to access banking facilities

- I now need to travel an additional 15 mins - 1 hour to access banking facilities
- I now need to travel an additional 1-2 hours to access banking facilities
- Limits access to business support and advice
- I now need to use the Post Office for banking
- Increased use of digital banking (online, mobile app, telephone, etc.)

Q11. What are your first 3 postcode letters and numbers of where you live?
Alternatively, what is the name of the location that you live?

Q12. Do you know of one or more local banks that have closed in your area since 2010? (Yes; no; not sure)

Q13. Do you think future bank closures are likely to impact you? If so, how? (Yes; no)

Q14. Do you think future bank closures are likely to impact your local area and its economy? If so, how? (Yes; no)

Answer both as business owner, and/or personal banking customer

Q15. If there's there anything else that you think would like to mention, please do so in the comment box below: [Free text box