

HOUSE OF COMMONS
ORAL EVIDENCE
TAKEN BEFORE THE
NORTHERN IRELAND AFFAIRS COMMITTEE

THE BANKING STRUCTURE IN NORTHERN IRELAND

WEDNESDAY 29 JANUARY 2014

JIM BROWN AND ELLVENA GRAHAM

DES MOORE AND BRIAN GILLAN

Evidence heard in Public

Questions 667-817

USE OF THE TRANSCRIPT

1. This is an uncorrected transcript of evidence taken in public and reported to the House. The transcript has been placed on the internet on the authority of the Committee, and copies have been made available by the Vote Office for the use of Members and others.
2. Any public use of, or reference to, the contents should make clear that neither witnesses nor Members have had the opportunity to correct the record. The transcript is not yet an approved formal record of these proceedings.
3. *Members* who receive this for the purpose of correcting questions addressed by them to witnesses are asked to send corrections to the Committee Assistant.
4. *Prospective witnesses* may receive this in preparation for any written or oral evidence they may in due course give to the Committee.

Oral Evidence

Taken before the Northern Ireland Affairs Committee

on Wednesday 29 January 2014

Members present:

Laurence Robertson (Chair)
Lady Sylvia Hermon
Kate Hoey
Naomi Long
Dr Alasdair McDonnell
Nigel Mills
Ian Paisley
Andrew Percy

Examination of Witnesses

Witnesses: **Jim Brown**, Chief Executive, Ulster Bank, and **Ellvena Graham**, Head of Ulster Bank NI, gave evidence.

Q667 Chair Can I welcome you to the Committee? Thank you very much for joining us. As you know we are conducting an inquiry into the banking structure in Northern Ireland. We are getting towards the end of the inquiry, I would suggest, so it is good that you are able to join us. Thank you very much for coming, and thank you for your written submission. If you would perhaps like to introduce yourselves, and also is there anything else you would like to add to that very briefly?

Jim Brown: Chair, can I just make a few brief opening remarks? Thank you, first of all, for inviting us to attend the Committee here today. I am Jim Brown, the Chief Executive Officer of Ulster Bank, and also Ulster Bank across the island of Ireland. I am joined today by Ellvena Graham, who is Head of Ulster Bank in Northern Ireland, in addition to her role as Managing Director for SME Banking across the island of Ireland.

Ulster Bank is at the heart of economic life in Northern Ireland. We are the number one bank, and have over 177 years of history in the Province. We were founded, and our headquarters remain, in Belfast. We serve over 700,000 customers in Northern Ireland, employ over 2,500 employees, and support the Northern Ireland economy and its communities.

On my arrival in 2011, I announced a very clear strategy to deal with the real estate development issues of the past, whilst at the same time building a really good bank for our customers. Both pieces of work are essential for the recovery of Ulster Bank. While we are making good progress, we have some way to go. That said, as I have stated previously, we expect to return to profitability during 2014. We are coming through a very difficult period in Ulster Bank, and throughout that time our customers and our staff have been very supportive. I want to take the opportunity today to put on record my thanks to them. We still have a lot to do, but I am convinced that we are on the right track. Thank you.

Q668 Naomi Long: You are very welcome; it is good to have you with us. We just have a few questions, and I would like to start with a general one. The CBI from Northern

Ireland gave evidence to the Committee on 20 November. In the introductory remarks the Chairman stated that the biggest threat to the Northern Irish economy was the banking system. How would you respond to that comment?

Jim Brown: Maybe Ellvena can make some specific remarks on the Northern Ireland situation generally, but from my perspective, clearly banks play an important role in the economy. We at Ulster Bank have been doing our part to contribute to that. Clearly we have got some legacy issues to deal with, and we have been working on those over the last couple of years. As I mentioned, I think we are making very good progress. It is also our responsibility to help build a really good bank for our customers for the future, particularly for SMEs as well. We have a wide-ranging number of activities that we have been doing to support businesses, and maybe, Ellvena, you might like to talk about that.

Ellvena Graham: Just on that question, I think whenever Ian was here in November, he was speaking about banks being a block to the economy and what-have-you. I think—and I have spoken to him subsequently—he was referring very much to the property overhang that we have, which Jim already mentioned in his opening statement. There is no doubt, and certainly Ulster Bank is part of this, that we lent heavily into the property and construction sector. I think that is what he was referring to. Until that is dealt with it is very hard to move forward. Having said that, as Jim said, we have been dealing with that and we are moving forward, and very definitely now. Ulster Bank has just announced that there is £1 billion to lend across the island, so we very much now want to deliver on that promise, and get out and meet with customers and be part of the growth of the economy going forward. While we have got issues to deal with, and I think that is what was being referred to, it is very much now about moving forward.

Q669 Naomi Long: And so you do not think when he said that the banks were a key blocker to growth in Northern Ireland he was referring in any way to anything that the banks, if you like, have control over, that they could do differently currently that would allow us to unlock that growth?

Jim Brown: If we look at the areas that I think are the backbone of the Northern Ireland economy, we have been supporting those sectors, and they have been doing very, very well. Areas, for example, like agriculture, food, services, natural energy and so on, have been growing within our own business as we have lent to them. On the other hand, we still have the property issue to deal with, but in terms of the fundamental economy, we have been supporting those areas that are the backbone of Northern Ireland.

Q670 Lady Hermon: This is a subsidiary question, really. You are very welcome, and it is very nice to see you here this afternoon. If my memory serves me right, the Chancellor of the Exchequer has indicated he has set a deadline of 2016 for bad debts to be dealt with by the Royal Bank of Scotland. Does that include the Ulster Bank? Do you have to deal with your bad debts before that deadline?

Jim Brown: Yes, we do. As part of the review that was conducted by HMT in the middle of last year, one of the issues that we have to deal with is the real estate issues that we have on our portfolio. We have to wind those down over the next three years.

Q671 Lady Hermon: And how on earth do you propose to wind those down over the next three years?

Jim Brown: In the last week or two we have appointed a team within Ulster Bank to look at that. We are in the middle of working that strategy out as we speak. The strategy at this stage has not yet been defined, but it is reasonable to assume that it is likely to be a combination of disposals of parts of the portfolio. It will be working with individual clients

on arrangements with their accounts and so on, but at this stage that strategy has not been finalised.

Q672 Lady Hermon: But could you guarantee the Committee, and more importantly the people in Northern Ireland, that in fact the market is not just going to be flooded in one fell swoop with assets being released by the Ulster Bank?

Jim Brown: I do not think it is in our interests to do that because if the assets are flooded to the market, that is clearly going to have a significant impact on real estate prices and the value for Ulster Bank as well. We need to work through a way to maximise the value to Ulster Bank, but also do it in such a way that is right for the market.

Q673 Lady Hermon: Has Ulster Bank made any representations to the Chancellor of the Exchequer, in terms of Northern Ireland, the economy of Northern Ireland and the size of Ulster Bank, that actually the 2016 deadline is not appropriate?

Jim Brown: Not in terms of specific representations from myself. The real estate issues that we are dealing with in Northern Ireland—and we have a similar issue in the Republic—and the overall wind-down of the internal bad bank portfolios have been considered. It is an issue that we are certainly very conscious of at Ulster Bank.

Q674 Ian Paisley: Just picking up where Sylvia started there—you are both very welcome, by the way, and I refer Members to my registered interests—tell us about Capital Resolution Group, and the role it is going to play in resolving bad debt.

Jim Brown: I will talk about Ulster Bank specifically because that is the area I am most familiar with. Following the HMT review in the middle of last year, a decision was made to establish an internal “bad bank”, as we call it—the Capital Resolution Group. That portfolio, in the Ulster Bank context, comprises predominantly real estate that is an overhang as a consequence of the boom in the mid-2000s. The job of that new team is, as I just mentioned, to wind down that portfolio over the next three years. We have a team on that now, and we have to work on the strategy for it, but the primary aim of that group is to wind down those assets over a three-year period.

Q675 Ian Paisley: Is Capital Resolution Group a replacement of GRG?

Jim Brown: It comprises assets that are predominantly managed by GRG today.

Q676 Ian Paisley: So in three years’ time, looking forward—and it is important that we do look forward, because too often the issues about banking are what happened in the past, and that is an unfortunate story—how do you plan to control and release those assets, if you have to be wound down within three years?

Jim Brown: We are working through the strategy as we speak. The strategy has not been decided yet, but, as I mentioned earlier, it is likely to be a combination of working through issues with individual customers right through to loan or property portfolio disposals. That has not been finalised, and, as I mentioned, the key thing for Ulster Bank, and for RBS for that matter, is to do that in an orderly way.

Q677 Ian Paisley: So you could parcel up some of that debt and perhaps sell it on to venture capitalist groups?

Jim Brown: That has not been decided, but that is an option, or parcelling up some of the individual real estate assets that are there as well. There are many, many different options, but the strategy as to which one we are going to pursue has not been finalised yet.

Q678 Ian Paisley: A considerable number of the customers who find themselves under the interest and management of Capital Resolution are probably going to be passed amongst our most vigorous entrepreneurs and people who are involved in growing the economy and property management. What happens to them when their debts are parcelled off? They are currently your customers, so are we going to be facing a whole host of bankruptcies at the end of this, or are you going to forgive that debt?

Jim Brown: No, we have not worked through that issue yet; that has not been determined.

Q679 Ian Paisley: Will debt forgiveness form part of the solution in terms of how we take this forward and wipe the slate clean?

Jim Brown: Again, that has not been determined at this stage.

Q680 Ian Paisley: I am not asking you to say it has been determined, but is it on the agenda?

Jim Brown: I think there is a wide range of options that we will be looking at, but in terms of debt forgiveness no decisions have been made on that at all.

Q681 Ian Paisley: What about in terms of bankruptcies? These are people who have got you into considerable debt. You either parcel up their debt and sell it on to someone else and let them deal with them, or else you put their lights out in three years' time.

Jim Brown: The key thing for us, as I mentioned, is to come up with a strategy that deals with the wind-down of those debts in an orderly way. We will do that, and we have already started looking at that. At the same time we need to make sure we are building a really good bank for the future for Ulster and for Northern Ireland.

Q682 Ian Paisley: Okay, if I look down at your Capital Resolution Group employees—your staff—I assume some of them are GRG staff as well. In three years' time, what happens to those staff? Is their job done?

Jim Brown: Their jobs would be at risk. That is true. We have approximately 100 people working on the GRG portfolio in Northern Ireland. Again, how and when those jobs reduce really depends on what the strategy is. Certainly by the end of three years, with the portfolio gone, of course those specific roles will be gone as well. As to whether there are other opportunities within the bank, we would need to determine that as we go through the process.

Q683 Ian Paisley: I am sorry to be very personal about this, but in three years' time we will all probably still be in Northern Ireland, hopefully representing it. These businesses that you have had to deal with are often problem clients—I appreciate that—in many respects, and problem businesses. But if we get the situation where they are being managed out of the business, and their debts run down, whether they are forgiven or made bankrupt—we will have to wait and see—are you going to still be there managing this as Chief Executive in three years' time, or is this just being pushed down the line until three years' time and then let someone else deal with the problem?

Jim Brown: I am definitely not pushing the issues down the line. My purpose for coming to Ulster Bank was to turn Ulster Bank around and build a really good future for the business. As I mentioned earlier, the strategies are very clear; we have got legacy issues to deal with, and we are working on that, and that includes dealing with the predominantly real estate issues. We have also got to create a viable and a sustainable bank for Ulster Bank and

for Northern Ireland going forward. My role is to make sure that that is achieved, and I am committed to being here until that is done.

Ellvena Graham: I would add something to that as well. I am now the Head of the Bank in Northern Ireland, and I am from Northern Ireland. It is not like I have flown in from elsewhere. Although I was based in the Republic for 20 years, I am from Northern Ireland, and I am not the only executive that is based in Belfast. There are four of us from Northern Ireland who are based—

Q684 Ian Paisley: What is the total number of executives?

Jim Brown: We have 10 altogether, and four of those are based in Northern Ireland. I should mention that since I have arrived, Northern Ireland has been particularly important to me. If you look at the composition of our Board, half of the non-executives are from Northern Ireland, and our Chairman is one of those. We have also increased the focus within the executive team. When I arrived we had two executives from Northern Ireland; now we have four that are based there. They happen to be running the biggest parts of the business as well. We have also appointed Ellvena, because in my view we did not have the focus that we should have had. Ellvena is playing a key role within Northern Ireland, but also within Ulster Bank as a whole in terms of keeping the focus on Northern Ireland.

Q685 Ian Paisley: Do you feel that that representation, four out of 10 Directors and two out of four non-execs, is an adequate balance for Northern Ireland?

Jim Brown: I think it is. If you look at the business, in terms of the non-execs, it is three from Northern Ireland, three from the Republic. We also have a couple from RBS Group as well. There is a 50/50 representation, and in terms of the executive, I do think it is reasonably balanced. We have about a third of our business in Northern Ireland, and about 45% of our staff based there, so in terms of the scale of the business, the geographic reach and the issues that we are dealing with, I do think we have fair representation.

Q686 Ian Paisley: I just want to be clear, your Irish operation—North and South—is headquartered in Belfast, is that right?

Jim Brown: That is correct, yes.

Q687 Ian Paisley: And does that entire operation—both the Ulster Bank Ireland Limited and Ulster Bank—report directly to RBS HQ in Edinburgh, or to NatWest HQ in London? Where is the power?

Jim Brown: In terms of legal entity structure, Ulster Bank Ireland, the bank for the Republic, is a subsidiary of Ulster Bank Limited in the North, so the North is Ulster Bank. We have our own independent Board for Ulster Bank, and in terms of my reporting line, I obviously have a line into the Ulster Bank Board, but I report into the Chief Executive of the Corporate Banking Division in the UK.

Q688 Ian Paisley: Is that London or Edinburgh?

Jim Brown: London. In terms of the legal entity structure, Ulster Bank Limited reports in to NatWest; that is correct.

Q689 Ian Paisley: In terms of strategy, pricing and products that the Bank then wants to get out to its customers and drive the economy forward, are you treated as a region of RBS? Do they give you direction on that?

Jim Brown: In terms of the strategy, it is designed by myself and my management team. That is approved by the Ulster Bank Board, but I also report the strategy to the RBS Board. In terms of creating and driving the strategy, that is decided within Ulster Bank

Ellvena Graham: In terms of products, pricing and that type of thing, that is all done locally. Certainly we do piggyback off the products that are here in Britain because there is a good suite of products, both on the retail side and on the corporate side. But we can price them ourselves and decide how to sell them, so we are very much in control of that. We do not use all the products that are available to us; we use the ones that we think are most tailored to our own market back at home.

Q690 Ian Paisley: We got a letter in just today from a TD from Tipperary. I know we are the Select Committee for Westminster, so I do not want to become the Select Committee for a TD also. I guess you can appreciate why politically I would not want to do that. They are claiming that Ulster Bank in the Republic of Ireland is being run down at a faster pace and the debt is even bigger and is hidden from the public eye. Have you any comment on that, or are you being totally transparent on what the debt picture looks like in the Republic as well as in Ulster?

Jim Brown: Sure, I think we are. We have had a non-core portfolio, which is published in our accounts every quarter. We have also gone through the process of establishing the Capital Resolution Group. Whilst we are in a closed financial period, the magnitude of the issues we have been grappling with has been disclosed as part of that process as well, so it has been completely transparent. The issues that we have to manage in the Republic are very similar to the issues that we have in the North. It is a real estate overhang issue. About a third of the problem is in Northern Ireland and about two-thirds is in the Republic, but the strategy to wind down those legacy loans is similar across both markets.

Q691 Chair Can I just check the timescale for your corrective strategy, if I may put it that way? What is that? When will it be announced or when you will know which direction you are going?

Jim Brown: We hope to have that finalised within the next month in terms of what the strategy is. We then need to go through a consultation process with the Boards and get the Boards to approve that as well. I expect it will probably be sometime early to mid-March.

Q692 Dr McDonnell: You are very welcome, and thank you for your information and your evidence so far. You will be aware of Lawrence Tomlinson, and some of things he said, and the suggestion that Ulster Bank, or some of your people down the line, made life difficult for SMEs and put them out of business in order to grab assets. What are your thoughts on that? Have you any evidence? Can you confirm or deny it?

Jim Brown: We take these allegations very seriously, of course. RBS has asked Clifford Chance, the law firm, to do a review specifically of those allegations. From my own perspective, I have seen no evidence of any systematic issues of the nature that Mr Tomlinson has talked about. No cases have been presented to us to actually review to see whether there have been any issues. But based on my knowledge of how GRG works, I have seen no systemic issues of that nature within the business.

Q693 Dr McDonnell: But if this had happened, would the people who were engaged in this be likely to report it up the line to you anyway?

Jim Brown: I think some people would do so, for sure. When people are in financial difficulty, those are quite emotive and difficult issues for people to deal with, so I accept that there are issues there. Within Ulster Bank we have over 1,000 people reaching out to

customers who are in financial distress. That ranges from everything, such as the mortgage arrears issue in the Republic right through to the GRG issues, but we have a team dedicated to that and actively encourage customers to engage with us if they do have issues.

Ellvena Graham: Just to follow up on that, since I took on the job last March, I have met a range of customers in Northern Ireland. One of the things that we do have is a customer forum where there are about 20 customers who we meet on a quarterly basis. We deliberately decided to have some customers who are from GRG as well as some customers who are from the main bank, so we genuinely could gain some insights as to how they were being treated, what they thought and how we were handling ourselves, so there are various ways for customers to let us know if they are really not comfortable or not happy with how we are dealing with things. I have genuinely met a range of customers from all walks of life, a lot of them property developers, some that we have worked with a lot recently, and that is not what we are picking up at all.

Q694 Lady Hermon: Sorry to interrupt. I am just reading from a BBC news report from last week, 23 January, and Tomlinson had actually visited Northern Ireland that day. He quite clearly said that Ulster Bank was included in his report commissioned by the Business Secretary, Vince Cable. So who is wrong here?

Jim Brown: When the Tomlinson report came out, to the best of our knowledge there were no cases, or he had not engaged with Ulster Bank at all in terms of the process.

Q695 Lady Hermon: Mr Tomlinson had not engaged.

Jim Brown: With Ulster Bank in that process; that is correct.

Q696 Lady Hermon: So before he published his report he had made no engagement with Ulster Bank.

Jim Brown: That is correct. Subsequently we have found out that someone from his office did send an email to one of our relationship managers within GRG to get clarification on a particular case. We do not know if that case is in the review that he has conducted or not, so none of the allegations have been presented to Ulster Bank to review, to confirm or deny.

Ian Paisley: That has been hugely damaging to the public relations of the bank.

Q697 Chair Presumably you will be asking for evidence of the accusation.

Jim Brown: The review that has been commissioned by RBS to be done by Clifford Chance does cover the Tomlinson report, RBS and Ulster Bank. Separately to that, the regulator has also instigated a separate independent review, and that is being conducted by the FCA as well.

Q698 Dr McDonnell: To move to another topic, you have had a bit of bad publicity more than once recently on terms of service and IT breakdowns. Some of us had dealings with some of the RBS people here in London last year when people were stressed. Have you learned any lessons there? Are we going to experience another breakdown at some stage in the future, or has it all been sorted out?

Jim Brown: I think we learned a lot of lessons there. Both Ellvena and I were in the thick of it. Perhaps you would like to cover this one, Ellvena.

Ellvena Graham: That was an unprecedented issue. Our customers could not access systems for three weeks, so it was certainly a very difficult time for customers; it was a difficult time for staff; it was a difficult time for all of us. It is not something that we would like to go through again under any circumstances. Since that, RBS have been investing

heavily in the technology systems. Again, it was widely publicised that we had an issue at the beginning of December. One of the things that happened that time was that of the three brands—RBS, NatWest and Ulster Bank—Ulster Bank was back up again and restored most quickly. It was back up first this time. That is because of some of the investment that has gone on since the IT problems of June 2012. So now the systems can be recovered separately; we are not interdependent as we were previously.

RBS are investing another £450 million in the resilience that they are putting into the systems. So to answer the question, it is not all done just yet. That is going to take another couple of years to complete, but a lot of work has taken place, and we have seen the benefits of that. In the last year our customer-facing systems actually were down for about five hours. Sometimes you would think it was longer than that whenever you see the amount of publicity they can attract, but that is just the world we live in now. When the mobile apps are not available or the internet banking is not available, people notice it right away and it is very quickly communicated.

To answer your question, it is not completed yet. We are in a better place; there is more money still to be spent.

Q699 Lady Hermon: Just one supplementary to that, we have received evidence quite recently—you are probably aware of it anyway—that one of the reasons for your IT failures was the outsourcing of your IT provision. Would you think that the two things are linked or would you disagree, and what evidence would you have for disagreeing?

Ellvena Graham: I read some of that in the media, and there was a lot of talk of systems and India and what-have-you. Our systems are run from Edinburgh actually; you could call that being outsourced, which it is actually from Ulster Bank, because it is run from Edinburgh. That is just where our systems are run. I do not think that contributed to our problems, to be truthful; the fact that they were being run from Edinburgh I do not think was the issue. It was the way the systems were configured. RBS, NatWest and Ulster Bank were all on the same system, but our batch scheduler ran in that order. We were the last batch that was restored.

Q700 Lady Hermon: Which is why there was a three-week glitch.

Ellvena Graham: Yes, we had a three-week delay.

Q701 Ian Paisley: Historically it was the case that Ulster Bank had its own very efficient IT platform operational in Northern Ireland. It had its own staff that could fix problems quite quickly and were on top of the thing, and Fred Goodwin took the decision to centralise all of this. Has that not been really the problem, which has put you, to use a local term, on the hind tit essentially, when it comes to fixing all of these problems?

Jim Brown: I was not there when that decision was made, but having worked in other organisations that operate across multiple markets, it can be a competitive advantage for a bank such as ours to leverage off the parent. Any of the IT spend, the investment, bringing new mobile apps, internet banking and those sorts of things to the market can be a competitive advantage for us. Clearly in this particular case there was an issue with how that batch scheduler was run at RBS, but that issue could have happened if we had been running the process within Ulster Bank itself.

One of the key issues for us is to better manage the outsourcing relationship, as Ellvena has mentioned, in terms of how the IT is being run. But we have invested significant governance around that to make sure that that is the case. Net-net, while we had an issue in 2012, I think being part of a bigger group that has access to more sophisticated and more advanced IT should be a competitive advantage for us.

Q702 Dr McDonnell: Just on that point, it may be an advantage, but, on the other hand, some of the evidence that we have heard here implies that the banks—particularly larger banks with multiple levels, if you like—place a greater priority in getting services sorted out in GB. The pressure, certainly for the first technology breakdown, was that RBS itself got up and running, then it was NatWest, and Ulster Bank came in a very poor third, way behind. That is the other side of the big group: sometimes the smaller, regional subsidiary, if you like, can be left behind.

Jim Brown: I think in this particular example, as Mr Paisley has pointed out, the Ulster Bank systems were integrated into RBS, and I imagine that no one had thought about how or what may happen if a batch-scheduler problem arose, and how that would affect the brands. Clearly we have learnt a lot from that, and made a lot of changes, as Ellvena mentioned, so that in the event of such an issue happening again, the right focus can be given to Ulster Bank. The issues that happened in December were clear evidence that that has been addressed. We have also improved how the governance works between ourselves and RBS to make sure that we do get the right priority for issues that are critical to us.

Q703 Dr McDonnell: Just again a further extension of that: a lot of your stuff is run from Edinburgh. Is there any chance of you insourcing some of that back into Northern Ireland?

Jim Brown: Clearly there is a review that is under way by RBS at the moment, and being part of a global organisation where jobs should be located is clearly a key issue. Within Ulster, in Northern Ireland, many of the jobs within Ulster Bank service right across the Republic as well—quite a significant number.

Ellvena Graham: I would not necessarily see us bringing IT jobs back into Northern Ireland because it is not something that we in Ulster Bank have got a competency in right now. We may have done 20 or 30 years ago, which Ian referred to, because that is where I started out my life in Ulster Bank. But we have a very large call centre, we have large processing centres, and very good capability in that, so I would like to think that RBS would consider Northern Ireland just as well as they consider Birmingham, London or wherever else. It is competitively priced and has good incentives, so I think there is every reason why Northern Ireland certainly can put a good foot forward in that regard.

Q704 Dr McDonnell: Is there anything we could do to encourage you to consider strongly the same issue?

Ellvena Graham: I would consider it strongly. It is if you can do anything anywhere else. It is a good place to put jobs. We have a very good track record. Genuinely, the call centre is a very well-run call centre in our retail bank. It is now 24/7 and open 365 days a year, so we can prove that we can do all those types of things. I am a great supporter of putting jobs into Northern Ireland, very, very definitely.

Q705 Lady Hermon: So, where is the call centre at the moment?

Ellvena Graham: It is in Danesfort, in Stranmillis.

Q706 Dr McDonnell: One of the things that strikes me is that throughout the IT failures, they did a lot of damage to customer trust and customer loyalty. Something running through all of that was that the staff carried you through a lot of that. Yet a lot of these staff will be laid off shortly. Surely there is a bit of balance to be had there somewhere, in that until you have the IT sorted out and a lot of these problems solved, would it not be foolish to

make too many of the staff redundant? Because in my opinion, and from what I saw, it was the staff that carried you; the human resource carried you, rather than the technology.

Jim Brown: During the incident itself, from my perspective, the staff did a fantastic job and went out of their way to support our customers. There is no doubt about that, be it working Saturdays and Sundays, 24 hours a day in some cases. They did a fabulous job, and I do thank them for that and have done.

First of all, in terms of any redundancies, we do not have any specific plans on any redundancies in Northern Ireland at this stage. We are subject to a review that is being conducted as a result of a request from HMT as part of the Good Bank/Bad Bank review that was done earlier, into coming up with a viable and sustainable Ulster Bank. That review will be concluded sometime over the next few months but we do not have any specific plans in terms of redundancies at this stage.

Q707 Dr McDonnell: Could I ask very simply and as a final question: would you consider more extensive efforts in terms of measuring customer satisfaction, rather than just the forum? Because the forum strikes me as being the big players—the heavy hitters—among your customer base. Do you have some survey system for measuring customer satisfaction?

Ellvena Graham: Yes, we certainly do. If I look at the retail bank, we have mystery shoppers who go in there. That is their purpose: to see what the service is like and see what we can improve on. In the call centres, there are independent call backs to see how well our customer's issue was resolved. Within the branches now there is a customer review, where customers come in and they go through a review of how their affairs are being managed. Then there is direct feedback on that.

There are any number of ways in which we are receiving feedback and taking action off the back of that, because I am very acutely aware of the damage to the brand through the IT issues. We took a hard time in 2012. I am very aware that that is one of my primary objectives: to try to improve that and make it a place that the staff are proud to work in. Getting customer feedback and acting on it is very important. We are not just doing it with the customer forum of 20—and you are right, they are larger customers. There are lots of ways of doing that through the retail bank and through the SME customers as well.

Jim Brown: It is fair to say we have quite a number of ways to reach out to our customers. At the end of the day, that is who we are there to serve. As Ellvena mentioned, there were clearly issues in 2012 but as a result of the focus being placed on our customers, better serving them—doing more lending, for example—and so on, we are seeing a significant lift in market share across most parts of the business, be that in Northern Ireland or the Republic. We still have more to do in terms of lifting our reputation. But in terms of customers doing business with us, things are moving in the right direction, but we have some way to go.

Q708 Lady Hermon: Again we have, as a Committee, taken evidence about time allocation in call centres and have found that those who are on the receiving end in trying to respond to a customer's inquiry are watching the clock—I think was the evidence we received—and that in fact they have to resolve this within a specific time period of time. Is that how Ulster Bank resolves its queries at its call centre?

Ellvena Graham: It is not how we are doing that. It used to be how we did things if you go back a few years. If you go back a number of years, absolutely, it was all measured on what they call, “average handling times” or how long you talked to a customer for. Now it is measured on whether you have the issue resolved for the customer. Funnily enough, sometimes a customer does not want to talk to you for very long; all they want is to have the issue resolved. If they want their balance or to know whether a standing order went through,

they want that answer relatively quickly and to get off the phone. There are other customers who are more than happy to talk about other problems they have or other products we have. So we have moved away from that. We moved away from that a number of years ago in terms of measuring the average handling time. Now it is in terms of whether we resolve the issue or the query the customer has when he phones in.

Jim Brown: We see with those customers that the satisfaction levels from the customers as a response to that has changed dramatically. It has significantly improved.

Q709 Nigel Mills: Can we move to access to finance? It will hopefully be a bit of a happier topic if things are going well. In your submission you told us that you, in 2012, approved £181 million of new funding. How much of that was new funding and how much of it was roll overs and re-advances?

Jim Brown: Ulster Bank in total lent slightly over £500 million altogether. £200 million, or thereabouts, of that went to support individuals, so buying homes, personal loans and so on. Of the remaining £300 million, £180 million went to new lending, rather than rollover lending. We also did about another £50 million for Lombard, which is supporting small businesses for equipment, finance, vehicles and so on. The total rollover was only about £40 million or £50 million. It was a relatively small part of that total lending figure. So the £181 million was true lending—new lending to small businesses—plus the other 50 or so through our Lombard vehicle as well.

Q710 Nigel Mills: When do you think the 2013 number is going to come out?

Jim Brown: The financial results report at the end of February this year but it is worth mentioning that we have seen an uptick in the second half of the year in terms of demand and activity. You might want to talk briefly about some of the campaigns that we have.

Ellvena Graham: If you think of something like the last quarter; it was our strongest quarter in terms of a pipeline in the SME business. It was the strongest we had had in a number of years, which is good. As I mentioned earlier, we now have this £1 billion out there to lend. We are running a campaign at the moment, just started this morning, called “Ahead for Business”, which launched in Athlone in the Republic this morning. It will be running in Cookstown, Derry, Belfast and various locations across Northern Ireland, starting next week. That is all about us being out for business. It brings together our invoice financing, the Lombard products, pure lending products, cards and all the rest of it.

We are seeing business picking up. If you look at something like Funding for Lending, which, when you are talking about access to finance, is one of the Government schemes, we have lent over £130 million through that since it was introduced about 16 months ago. We are by far the largest bank playing in that market. We have other 1,000 customers who have borrowed through the FLS. There is a good uptick. January has been a good month as well in terms of pipelines and customer activity, and that side of things is looking good.

Jim Brown: We also have a similar campaign under way in the retail lending area as well. We have just launched a very large mortgage campaign in Northern Ireland last week. So there is a lot of activity but also a lot of focus from our perspective in terms of getting money out the door.

Q711 Nigel Mills: So when we see your results in 2013, we can be cautiously hopeful that they might be better than 2012? It sounds like you are forecasting further growth in 2014 and you see things going in the right direction?

Jim Brown: That is correct. I cannot comment on the quarter 4 results, and clearly the changes from the Capital Resolution Group structure will impact that as well. But in terms of

the underlying momentum in the business, we are definitely going in the right direction, be that dealing with the legacy issues that we talked about or the financials of building a really good bank. We are definitely going in the right direction.

Q712 Nigel Mills: You are not unduly constrained then by the bad histories of the property crash? It is not like you say, “We would love to lend but we cannot lend to that”.

Jim Brown: No. If I looked back at the last financials, in terms of funds available for lending in Northern Ireland, we have a surplus of deposits. We want to lend money and we have been actively supporting the sectors that we should be—the sectors that are doing well—but also SMEs more broadly, and home lending as well. So there is not a constraint on us in terms of funds or funding to lend at all.

Q713 Nigel Mills: Are there any sectors that you simply will not touch at the moment?

Jim Brown: Property, being blunt, is one that we have enough of, to be honest. Having said that, where there are situations where businesses want to buy a property, for example, to do their business from, we will look at that. But if it is asking to go and do another property development somewhere, we do not have any appetite for that.

Ellvena Graham: There are other sectors that we are very active in, things like agri. If you look at agri, we have grown our market share in the last four years by 7%. That is something we are very active in. Food and drink—the whole food chain right from the farmer through to the businesses that are selling. We launched Balmoral Show; we had the launch of that just last week, which is a big thing for us. It will happen in May, and it is big in the whole farming community. So there are sectors that we are certainly lending into that are very vibrant at the moment, tourism being another one. Some sectors in Northern Ireland are doing very well.

Q714 Nigel Mills: Can you just update us on roughly what percentage of applications you are approving? I think you said 88%, did you?

Ellvena Graham: It is now 94% in fact. In the last year, we had 94% loan approvals.

Q715 Nigel Mills: The adverts we have all been seeing say 80% for various banks; you are way ahead of that?

Jim Brown: We are running a mortgage campaign at the moment that says we approve nine out of every 10 mortgage applications in Northern Ireland.

Q716 Nigel Mills: So are you engaging with what people think, or do you squeeze people before they make the application, so you never receive one to turn down? Do you filter them out?

Ellvena Graham: Not at all. I am encouraging people to grow a pipeline, not to reduce it.

Jim Brown: We have money to lend.

Q717 Nigel Mills: You also mentioned 25 new business development managers. Could you say a little about them and where they based?

Ellvena Graham: Those are based around the branches. These are people who do not carry a portfolio so they do not have a portfolio of existing customers. Their job is to go out and find new business for us, ideally new customers to the bank. That is what they are doing, and they are based right across Northern Ireland out of various branches. We have 79 branches, so they cover a number of branches each. That is how that works.

Q718 Naomi Long: Can I just take a step back to the issue of new lending? I have written to the Ulster Bank, along with all of the other banks, about 18 months ago on the issue of new lending and how it is defined. So could I probe that a little bit with you? You said that did not include rollovers but can I just clarify: if someone extends their credit with you—say they have a £100,000 loan and they extend it by £10,000—is that £110,000 then?

Jim Brown: No, we would include the £10,000.

Naomi Long: Only the £10,000.

Jim Brown: That is correct.

Q719 Naomi Long: Since when has that been the case, because that was not the case when I have written to you previously?

Ellvena Graham: That is the only way we measure lending now—the amount of new money that is lent out the door. That is literally what we are measuring people on now; it is the new lending. I could not tell you—I have only taken on the SME job since September.

Q720 Naomi Long: Say somebody had a £3,000 overdraft and they came to you to seek an extension of the overdraft, if you changed the terms and conditions and gave them £2,000, would that £2,000 be there as new lending, or would that be seen as a decrease in lending by £1,000?

Jim Brown: On that specific example, we would have to take it away and have a look at it. But the key point that we are assuring here is that we are focused on the absolute new lending that is being done. There are customers that are rolling over, of course, but our focus is on increase in absolute lending to the economy. As I mentioned earlier, we have surplus deposits to lend to get working, hence the reason why we have the campaign. On that specific query, I am happy to take it away and come back to you on it, but the focus for us is new lending.

Q721 Naomi Long: That would be helpful. The allied query is then if someone already has a loan and what they do is come back in and renegotiate for an extension of that loan, but on different terms and conditions where, in effect, it becomes a new loan, how is that registered? Is it only the additional amount that they have borrowed that is registered as new lending or is it the whole amount when the terms and conditions change? My understanding, from discussing this with some of the other banks, is that the systems register all of that as new lending. Certainly in the correspondence that I have had with the Ulster Bank, that seemed to be the same for all of the banks. If that has changed that is good, but it would be helpful to have that clarified.

Jim Brown: We will clarify that. It does raise another interesting issue that you touch on, though, and that is an issue around having standard definitions in terms of reporting on what activity really is new lending versus rollovers. There is not a standard definition across the industry, and we would support that if it could be created.

Ellvena Graham: We definitely would.

Naomi Long: So would I.

Q722 Andrew Percy: Enterprise finance guarantee: you say in your evidence that you dominate the scheme in Northern Ireland. You also go on to say that the EFG scheme provides working capital when normal lending is not available due to a lack of security. Can you expand on that a little bit and perhaps explain your loan application process?

Ellvena Graham: Yes. The EFG scheme was a scheme that was introduced for lending—the best way to describe it is it is at the edge of our risk appetite, so it is at the

riskier end of what we would normally lend, and that is why it was introduced. The amount of money that we have lent through it is not huge but we have, as we have said in our submission, accounted for over 75% of lending through that scheme. So we find it useful because it is useful for some customers who would not meet normal lending criteria, and it has been very useful for that. We have been in discussions with the Finance Minister as there are some things we think could be changed that scheme that would make it slightly better.

Q723 Andrew Percy: In a Northern Ireland context

Ellvena Graham: Yes, in a Northern Ireland context, because we have so many small businesses, and also there has been no real good marketing campaign behind it alongside the banks to try to promote that scheme. We could do more with it. There is a cap at the moment. I do not want to be too technical but there is a portfolio cap of 20%. Could that be increased? Yes, it could, and it would improve things. We have been in discussions and we have made some suggestions as to how that scheme could be improved. We have found it useful in some instances is what I would say.

Q724 Andrew Percy: For people who are declined lending, what is the appeal process? What form does that take?

Ellvena Graham: The first thing is that we try to explain to them why a loan has been declined, then they receive a letter to say the reason that their loan has been declined. There is a process then that can go through if they want to appeal that. At the moment they have to write in to us on a form—a formal thing. We are looking at bringing that online because RBS are doing that online now. We need to move that way as well, so then that comes in. The case will then be reviewed by someone who was not involved at all in the initial process, so you would have an independent credit person who would review it and an independent business person who would review it again. A decision would be taken then off the back of that. It would be two people who had had nothing to do with the original application.

Q725 Andrew Percy: Do you know what percentage of people are successful?

Ellvena Graham: I just know there have been a very small number of appeals. It is tiny.

Jim Brown: The bigger issue is that we approve 94%, so there are very few that we do not approve, and of those who would want to appeal the number would be very small.

Q726 Ian Paisley: You have referred twice today in your opening comments, and again in an answer to Nigel, about this £1 billion that you have available to lend across Ireland. If I was your public relations man, who I know is a fantastic chap, that is a fantastic story and I would want to get that out there. That is an amazing opportunity. However, could you break that down for us? How long is that £1 billion available for? Is that for a year or two years?

Ellvena Graham: It is for this year.

Q727 Ian Paisley: How would you envisage the percentage of that being broken down? Would 60% go to the Republic of Ireland and the rest to Northern Ireland? How would you see it?

Ellvena Graham: I have been asked that question a couple of times. I do not really have a very definitive number in my head. All I would like to say is if there happens to be demand from Northern Ireland—if it happens to be 60-40, 70-30, or 50-50—I am really not concerned. If there is good business to be done we want to do it. So we do not have a hard and fast figure in our head. But, as you know, roughly two-thirds of the business is in the

Republic, so that is a likely split of it, but if people happen to be looking for more, we are happy to talk to them.

Jim Brown: I certainly have the appetite to do more because, again, from a funding perspective of Northern Ireland, we certainly have more than a third of the £1 billion available for lending. So, from my perspective, I am happy to start off with the £1 billion first, but if the demand is there and we can get more people out to do more lending, we are happy to do that.

Q728 Ian Paisley: £1 billion, in perspective, is a big suit on a skeleton when you look at the business structure in Northern Ireland. It is a massive amount of money. I am just trying to figure out whether you are going to look to target areas that would be more preferential? Obviously property is a difficult issue—you have made that very clear, and I understand it—but are you looking at tourism or IT? Where are the areas you want to focus that money? Where are you going to get the most bang back for that buck?

Ellvena Graham: I agree; you have mentioned some of them, Ian. I agree: tourism and the IT sector definitely, as well as the whole digital sector. We are looking at the whole food and drink sector and the services sector. When you think about it, it is nearly anything outside of property.

Ian Paisley: Let us take agri, because that interests me on a constituency basis in particular, because of the amount of product that is produced in the green fields in my constituency. Do you consider a 1% year-on-year increase as appropriate to helping that sector grow? Do you see that 1% increasing?

Jim Brown: First of all, in the food and agri space overall, the percentage was about 7% but the agri part of that was less. We certainly have the appetite to do more. Personally, I come from New Zealand, so I am very familiar with agriculture and see it as part of the backbone of the Northern Ireland economy. We certainly have the appetite to do more there. The other key thing that Ellvena mentioned to us, aside from just having more money to lend and letting people know through the media and so on, we also have people now on the road. We have freed them up from the real estate issues. We have freed them up for other day-to-day activities and they are out there looking to do more business. Clearly agri is part of that.

Q729 Ian Paisley: Do you see any of that money? For example, is Ulster Bank considering establishing its own venture capital fund? Should some of that money be channelled into that?

Jim Brown: It is something that we have thought about that it is something that should happen for Northern Ireland. To be quite honest, the focus for us over the last few years has been to deal with the legacy issues and get the bank back to good health and get the basics right. As we mentioned earlier, with the likes of the enterprise guarantee scheme or venture capital, we think there is a certain sector of the market that may well have access to that sort of funding—the real entrepreneurial, high-risk type lending. It has not been a focus of ours for other issues over the last couple of years, but we are more than happy to participate in a broader industry discussion on it. We would be more than happy to participate in that.

Q730 Ian Paisley: Hotels and tourism is obviously one of the areas that you mentioned, Ellvena, in your answer to me earlier. The tourism board will not lend to hotel builds in the Greater Belfast area, but will lend to hotel builds outside of Belfast because of their new rules and regulations—too many rooms, they claim, in Belfast, not enough outside

of the city. Is that an area where you are going to fill the gap, because there is still a demand to build hotel rooms and provide those sorts of facilities in the City?

Ellvena Graham: We have funded some of the larger hotels in Belfast, so we have done that.

Q731 Ian Paisley: I am talking about grant aid. The tourism board will not give grant aid to hotels in Belfast, but they will do outside of Belfast. But inside Belfast, are you going to plug that gap because I know there is demand.

Ellvena Graham: We would have to take that away and look at it. I have not looked at the grant aid for hotels in that respect, Ian. I do not know.

Q732 Lady Hermon: Could we move on to the very controversial issue of bank branch closures. Last week, certainly, we were told by the trade union, which represents the vast majority of bank staff in Northern Ireland—I am just quoting from the evidence that we were given—that they were concerned that this RBS review could result in “significant closures” in Ulster Bank. Could I ask you to reflect on that and to give us—as I would expect and I would anticipate you are going to do—a straight answer about there not being significant closures? I should not prompt you, but that is what I am hoping to hear.

Jim Brown: I could start by describing a bit more what is going on in the market, and then I will talk about Northern Ireland specifically. The key thing here is that customer behaviour is changing rapidly. If we look at the fourth quarter of 2013, only 16% of our transactions went through the branch network, and 84% went through other channels. The vast majority of those have gone into areas that we have invested in, so areas such as mobile phone banking, internet, call centre and so on. So there has been a huge shift over a very short period of time to that area.

It is not only in terms of transactions; it is also in terms of customers’ opening accounts and so on, as well. So we have been looking to make sure that we have the right channels for our customers to meet their needs. There has been some change to the branch network as a result of that—some closures. I expect, over time, that there will be more but it is really driven by customer demand. The key issue, though, is how we handle that migration, because clearly there are some customers—16%—who like to use the branch network.

Q733 Lady Hermon: Could I just have a straight answer to the question? That is, will there be—as in the evidence we were given last week—“significant closures” of Ulster Bank branches. Yes or no?

Jim Brown: I cannot comment on what the IBOA said, but I can say that over time there will be more branch closures at Ulster Bank, but it will be based on customer demand.

Q734 Lady Hermon: So from 79 branches that you have at the present time, how many would you anticipate closing, Ellvena?

Ellvena Graham: I was up in Stormont and I had quite a discussion of this last July. At that time we talked about having a number more closures, which we still have not done in fact. We were talking about up to single figures at that time. What is alluded to there is the RBS review and what may come out of that. Lady Hermon, I do not know what is going to come out of that.

What I do know is that we definitely have 79 branches at the moment. We came down from 90. So we closed seven main branches and four sub-offices, and we are continuing to look at the network because of what Jim has just said—there are less and less transactions going through that. I am sure there will be more closures. Do I see it being significant? I do not even know what that may mean, to be truthful, so I cannot answer that. We have to keep

looking at our branch network because at the moment it is not being heavily used. We have 79 branches; our nearest competitor has 53 branches across Northern Ireland. So that tells you we have an awful lot more branches.

Q735 Lady Hermon: But you are a very big bank.

Ellvena Graham: We are. We absolutely are. Some of the branches we closed the last time round—for example, Shaftsbury Square in Belfast, Longstone Street in Lisburn—were because we had other branches in the town. We felt we had too many branches in a particular town there. I know there is always a lot of talk about rural branches. The branches that we closed were predominantly from towns where we had too much presence. We closed Harryville in Ballymena because we had another branch in Ballymena, for example.

Q736 Lady Hermon: That prompts me then to ask you—because in your evidence earlier you gave a very encouraging message that the Ulster Bank is looking to grow the agri sector in Northern Ireland, because agriculture is such a hugely beneficial industry in Northern Ireland and is growing—if you are looking at branch closures, do you look at your rural branches and think, ‘Agriculture is so important in Northern Ireland, in fact, we will look at closures of urban branches rather than rural ones’? What are the criteria that you use?

Ellvena Graham: There are quite a lot of criteria, and that is one of them. Certainly if we have too many branches in a town, then that is an obvious place to close one. Going back to the agri thing, I am not saying that we will not have a presence. One of the things that I mentioned when I was up in Stormont is that we would look to bring in a mobile bank van. So if we close branches in areas that are very remote, we will bring a mobile van that will move around various towns and provide a service. It would not be there five days a week. It may be there on a Tuesday morning if that is market day. It may be there on Thursday afternoon, or whatever it may be.

Q737 Lady Hermon: How would you manage the security of a mobile van?

Ellvena Graham: I was about to say that RBS do that here and in Scotland. We do it ourselves in the Republic of Ireland, so it is quite possible to do; we have proven that, and it is very successful because it gives the opportunity for people who want to do face-to-face banking to do it in a town. It is something that we absolutely will introduce if we feel we need to, if we close rural branches.

I go back to the point—you mentioned farmers. Funnily enough, they use our mobile phone banking very heavily. You might not think that but they do. What we are trying to think about a lot is that we look at the vulnerable customers who are using branches: people who are on benefits, older people, like my own parents, who use branches regularly. That is the type of people we do consider. We do have a process that we go through—it is quite a rigorous process—before we close any branch. We always give 12 weeks’ notice before we do that. It is quite a managed process. We then engage with local councils, chambers and what-have-you. It is quite a managed process.

Q738 Lady Hermon: Is it 12 weeks’ notice to your customers—to the elderly and those vulnerable customers? They are receiving 12 weeks’ notice.

Ellvena Graham: Yes. There are some examples of where our branch managers have taken a customer—an older person—and got on a bus and taken them to where their nearest branch is in another town. It is not something we take lightly. It is not something that we do without thought. There is quite a lot of thought goes into it before we close any branch.

Q739 Lady Hermon: Yes, so do you think that once again if there are any Ulster Bank branch closures, it would be in single figures? Can I push you to that?

Ellvena Graham: No, you could not now, because the RBS review is not complete. We did not even close those branches that we were talking about last July because we did not think the time was right for that yet. When I was in Stormont, funnily enough, I was talking about 21% of our transactions being done through a branch. That was quarter 2 last year; now it is down to 16%. So the transactions going through the branches are reducing all the time. So until the RBS review completes that I could not commit to that number.

Jim Brown: I think the key thing here is that the way we have approached the branch network and many of our other channels is on the basis of meeting customer needs. So any adjustments, be it investing in mobile application technology or closing branches, is in response to changing customer behaviours rather than us just arbitrarily deciding to close a branch.

Q740 Lady Hermon: Some other banks have given evidence suggesting that they will look at the availability of a local post office? Is that again something that Ulster Bank will do?

Ellvena Graham: Absolutely.

Q741 Lady Hermon: Is that an alternative? Will you provide a full range of services? If you have to close a branch, you look at the availability of the nearby post office, would you then guarantee that all of the provision of services that the Ulster Bank currently supply in a branch would be offered through a post office?

Jim Brown: You can never guarantee that all of the services would be available through a post office but what we can say is that certain transactional services are available through post offices.

Q742 Lady Hermon: But would you endeavour to increase those because of a bank closure?

Jim Brown: It would have to be something that we would have to talk to the post office about. To date, we have made closures where it has not been a material issue for us because of the fact that there is a branch located nearby. But it is a key consideration. If we have to go further than that, we would look at, be it the post office or some other third party; it would be a consideration and something we would look at.

Q743 Lady Hermon: Positively?

Ellvena Graham: Absolutely, positively.

Jim Brown: Positively. Again, it is in response to customer demand.

Lady Hermon: Yes, because I am not one who goes online and does phone banking. It is not just older vulnerable customers. I like the engagement with a real person in a branch.

Q744 Naomi Long: We spoke earlier about the need for consistency in the lending data that was provided. I want to talk a bit about regional lending data and the availability of that in Northern Ireland. Both the previous Finance Minister and the report from Davy Ireland said additional regionalised, detailed lending data was required to deal with the lack of transparency in banking in Northern Ireland. When we took evidence from the British Banking Association about lack of transparency in regional lending data, we were told Northern Ireland banks would be publishing a disaggregated picture in due course. How long is a piece of string? Could you tell the Committee exactly when Ulster Bank will be in a position to produce that?

Ellvena Graham: We do send the data in to Bank of England at the moment so all of our data is provided. I do have an issue with postcode lending data because sometimes in Northern Ireland, in particular, as you will know, a particular postcode can identify particularly a farm because there may not be anything else close to it. I absolutely think we need regional data but we may need to look at doing it by local council area or something like that. I do not think postcode lending is the way to go for Northern Ireland because some of our houses are so scattered around.

Lady Hermon: Townlands.

Ellvena Graham: It needs to be something a little bit broader because otherwise you can identify an individual. You will be able to identify how much debt they have, and I do not think that is the purpose of it by any means. So there are other ways of doing it. We provide the data into the Bank of England and—I have said this to the Finance Minister—we are well committed to supplying whatever data. I go back to the point I made earlier: it does need to be consistent right across the banks. So we need to all be talking the same language about whether it is renewed facilities or new lending, or whatever it might be. But I am absolutely committed to that.

Q745 Naomi Long: On the point specifically of the postcode—and I do take the point about customer privacy being exposed in certain circumstances—you said there may be other ways of doing it. Are you actively exploring other ways to provide the kind of transparency that we are seeking to have around those issues as an alternative?

Ellvena Graham: We have people working with the BBA at the moment to see what the right answer on this is, because the banks all need to agree on this.

Q746 Naomi Long: What timeframe is there around that work?

Ellvena Graham: That will be up to the BBA. I honestly cannot answer that. But we are actively engaging with them at the moment.

Q747 Naomi Long: Chair, I think in their evidence they were saying it would be down to the bank and how quickly the banks were able to move on, so it is a bit of a circular argument we are getting. How quickly do you think it could be driven?

Ellvena Graham: We can provide the data and are providing the data to the Bank of England, so I have no issue with it. None.

Chair Okay, we are out of time. Thank you very much for joining us. It was a very useful session. Thank you.

Examination of Witnesses

Witnesses: **Des Moore**, Director of Personal and Business Banking, and **Brian Gillan**, Head of Business Banking, First Trust Bank, gave evidence.

Q748 Chair I think you heard my introductory remarks before. Can I welcome you to the Committee? Thank you very much for joining us. Thank you for your written submission. Would you like to briefly introduce yourselves and add anything that you would like to put in?

Des Moore: Thank you, Chair. Good afternoon, Committee Members. My name is Des Moore and I am Director of Personal Business Banking at First Trust Bank. I am here with my colleague, Brian Gillan, who is Head of Business Banking. We are delighted to be at

the Committee today. We want to help you in any way we can, and we are looking forward to dealing with the issues raised.

If I could just provide a bit of context around First Trust Bank: First Trust Bank is a trading name of AIB UK PLC, which is a wholly incorporated entity in the UK. It has been incorporated since 1993. We have a sister bank, which is AIB GB, which is a niche business banking player in the UK market. Obviously we are owned by Allied Irish Banks but effectively we are very much focused on the UK market. We have a separate governance and a separate board for the UK. We are regulated by both the PRA and the FCA, as you know. We have four Northern Ireland-based directors on the board of AIB UK.

In terms of our market, we have about a 12% share of the personal market in Northern Ireland and approximately 14% share of the business market. Encouragingly, we are seeing growth in that, and from the latest BBA stats that are released to us we are retaining about a 20% share of SME business in Northern Ireland, which is well above our natural market share. Our strategy for 2014 is one of growth. We have been through a very difficult time in terms of restructuring the bank and making it fit for purpose to play an important part in helping to recover the Northern Ireland economy.

Q749 Naomi Long: Good afternoon. It is good to have you with us. You will have heard this question, so I will cut straight through to it. The chairman of CBI raised the issue and said the banking system issues remain the single biggest risk factor and key blocker to growth in Northern Ireland. How do you want to respond to that particular statement?

Des Moore: I met with Ian over the last couple of weeks to explore what was behind his thinking in terms of the commentary, and I think it is important that we understand that there is an overhang in terms of property landing and that has impacted many businesses and individuals.

Our approach at First Trust is about engaging with customers when they get into difficulty on the SME side or the personal side, working with them to achieve a sustainable footing, whether that means a restructure, or whatever type of help we can provide to them. That is our approach. It does not make any sense for us to get involved in dealing with those things negatively because, in fact, they are our customers of the future. While I understand the comments, in terms of what we are doing in the market place, we are very supportive for our customers. We want to protect jobs and we want to put businesses on a firm, commercial, but most importantly, sustainable path for the future.

Q750 Naomi Long: Does it concern you that the perception is such as has been outlined to the Committee? Is that of concern to you and what do you think you could proactively do to change that perception?

Des Moore: I think you are right; the issue though is one of confidence in the market place and we have a role to play in terms of growing that confidence. It may well be, for example, that SMEs believe that banks are not lending because of what they read in the paper or what they pick up in the media. But, in fact, we are approving 95% of applications that come to us at the moment, so we are seeing improving trends in the number of new-to-bank business that is coming to us for approval and growing that business. While it is a concern and while I accept that we have more to do in terms of building that confidence, we are very excited about the opportunity that exists in Northern Ireland.

Q751 Lady Hermon: It is very good of you to be so patient; we are running a bit late. It is very nice to see you here in front of us this afternoon. Did you say—I just wanted to check—95% of approvals for applications? Is that applications for personal funding, personal banking and 95% approval for SMEs?

Des Moore: It is SMEs.

Q752 Lady Hermon: Since when has it been 95%? That is an extraordinarily high rate.

Des Moore: That is the figure for 2013. It was in the low 90s in 2012, so it has been high. It has increased over the last 12 months. If I could provide you with some context, we have been through a restructuring. We are adopting a much more high profile in terms of the marketplace. Our approvals, for example, for 2013 are up 120% on our 2012 figures and about 60% of our new business lending drawdowns in 2013 was new-to-bank business; in other words, it was not from existing customers. So we are seeing, by the type of profile we are adopting in the marketplace and by helping new and existing customers, that we are getting an increasing share of that market.

Lady Hermon: That is really interesting and very encouraging. Thank you so much.

Q753 Nigel Mills: If I could just ask about the 95% of approvals again, you probably heard the question I asked the previous witnesses. How do you get it that high without manipulating who gets to apply for it?

Des Moore: There is no manipulation involved, Mr Mills, but what we are doing is we have launched two funds for businesses: for owner-managed businesses, and for small businesses. We are approving relatively high levels of business for those funds. The pricing is transparent in those funds, and we are working with key business introducers and our existing customer base to have roadshows, whereby we launch those funds and try to increase that confidence that I have spoken about that seems to be missing in the marketplace. On the rare occasion that we do have to decline a case, our approach is more like we may be saying “no”, but not “never”, and we find a way to maybe come back to that business and support it in terms of a different type of lending case.

Q754 Nigel Mills: Do you think the problem is that businesses just do not think they will get an approval, and that is why they are not asking, or do you just think that there is not actually demand out there yet?

Des Moore: There has been a lot of debate at this forum and others about whether the issue is on the demand side or the supply side. Our view is that it is probably more on the demand side. There have been a number of reports issued, as you know, over the last number of years. Each report that is issued tends to point to SME finance not being as high of an issue as it was in terms of access to finance, in that there are other things getting in the way. I think, as responsible lenders, it is our business to help build that confidence by talking at fora like this and by engaging with the business community, by working with Invest, CBI, the Institute of Directors, etc, to try to talk up the economy and the opportunities that exist in Northern Ireland, of which there are many.

Q755 Ian Paisley: You are both very welcome. Can you tell me where your Chief Executive is today?

Des Moore: I am the head of First Trust Bank in Northern Ireland.

Q756 Ian Paisley: So where does Mr Gerry McGinn sit?

Des Moore: Gerry is Executive Director, and Gerry is in the process of reducing his role in the organisation, and will be leaving towards the end of the year. So I am working very closely with Gerry in terms of succession, but I am the head of First Trust Bank in Northern Ireland.

Q757 Ian Paisley: So you are the boss.
Des Moore: Yes.

Q758 Ian Paisley: The buck stops with you?
Des Moore: Absolutely.

Q759 Ian Paisley: Pleased to meet you, sir. You are my bank manager. Can I ask you this: can the witnesses tell the Committee what the overall influence of Allied Irish Banks is? What influence do you have on the operations of First Trust Northern Ireland?

Des Moore: I will try to talk about the governance and the structure. Our history traces back to the Belfast Savings Bank, founded in 1816, so we have a provenance and a history associated with Northern Ireland. First Trust Bank is a trading name of AIB UK PLC. I mentioned already that we have a sister bank, a niche business bank, in the UK called AIB GB, and AIB UK PLC is obviously owned by Allied Irish Banks in Dublin. The shareholder in that, as you know, is the Irish government, with 99.8%. In terms of our operational focus, it is all about a UK focus. I spoke about our Northern Ireland Board of Directors. We have three Directors from Northern Ireland on the UK Board of 11 members, and our focus is entirely around how we operate in the UK, and particularly in Northern Ireland. So I have an executive team managing our operations specifically here in Northern Ireland, without reference to Dublin, except in overall governance terms. We are focused very much on Northern Ireland.

Q760 Ian Paisley: And you have three on the UK Board of Directors, and you said earlier you had four on the Northern Ireland Board of Directors.

Des Moore: Sorry. Just to correct the record, it is three.

Ian Paisley: It is three.

Des Moore: Yes.

Q761 Ian Paisley: That is the overall UK Board?
Des Moore: Yes.

Q762 Ian Paisley: Okay. It is not as if there are two Boards, now?

Des Moore: No. It is one Board, AIB UK, with three Northern Ireland-based directors.

Q763 Ian Paisley: Right. Do AIB set the guidelines and targets for business performance within First Trust?

Des Moore: I set the strategy for First Trust Bank, in consultation with the UK Managing Director.

Q764 Ian Paisley: And ultimately, obviously, you are answerable to your shareholder, but you set it accordance with customer need.

Des Moore: It is an indisputable fact that our shareholder, ultimately, is the government of the Republic of Ireland. However, operationally and strategically, we are absolutely focused in Northern Ireland and the UK.

Q765 Ian Paisley: And what are First Trust Bank's personal customer and business customer market shares in Northern Ireland?

Des Moore: Our natural market share in the personal customer basis is about 12%. In the business banking market, it is about 14%. But the good news I was relaying was that we are seeing an increasing share in SME lending on the business banking side.

Q766 Ian Paisley: Give me a breakdown: how much of that would be farms on the business side?

Des Moore: I am going to ask my colleague, Brian Gillan, just to talk about the agricultural side.

Brian Gillan: In terms of registered farms in Northern Ireland, we would have 12% of that, and obviously you will be familiar with the Agri-Food Board Strategy, where we do see an opportunity. Agri-food through the last 12 to 18 months is one of the sectors that has continued to perform in Northern Ireland. Certainly, I think, it does have a bright future, as laid out in the Board's strategy, and we have been working with Invest in respect of the agri-food loan scheme. We are investing in our people to continuously improve the sectoral knowledge that is required, not only the processors, but also the higher number of farm gate and farmers who supply the processors in Northern Ireland. In terms of the export opportunity out beyond Northern Ireland, we very much understand that we need to play our part and try and create the wealth and jobs within the Northern Ireland economy, and very much be a partner for all of those agri-food customers.

Q767 Ian Paisley: I have two questions, then, on NAMA. What has been the impact of NAMA on the Northern Ireland loan book?

Des Moore: Are you talking about the overall Northern Ireland loan book?

Ian Paisley: Yes.

Des Moore: Obviously, I am not here to speak for NAMA, but in terms of their stated strategy—which is a gradual release of assets over time, at appropriate market times—our view is that that is the appropriate approach in the marketplace, and that that is what they have been doing to date and hopefully what they will continue to do.

Q768 Ian Paisley: What about specific to the Bank, then?

Des Moore: First Trust Bank?

Ian Paisley: Yes.

Des Moore: Just so I am absolutely clear about this point, all of the underlying loans and security that NAMA took ownership of have passed from First Trust Bank into a NAMA entity. We do some agency work on the administrative side, under licence from NAMA.

Q769 Ian Paisley: So those customers have gone?

Des Moore: Those customers have gone. NAMA manage those customers and the security.

Q770 Ian Paisley: You are at the other side is what it looks like.

Des Moore: Correct, yes.

Q771 Ian Paisley: Okay. You have been advantaged there, I assume, because of your shareholder and because of your Allied Irish Bank associations. They have been to your advantage.

Des Moore: No, my understanding is that has nothing to do with it. It is just that that is the way that NAMA operated in those particular circumstances. That is my understanding.

Q772 Ian Paisley: What percentage of your loan book now has property security under NAMA, then. There is no property security under NAMA, then.

Des Moore: Nothing to do with NAMA. Obviously, we still have loans on our books that are property-secured. We still have an exposure. Not all property lending was bad lending, so there is still obviously some.

Q773 Ian Paisley: And the customers who were once with you under NAMA—have they gone as well?

Des Moore: That is correct, yes.

Q774 Ian Paisley: And what percentage of them were bankrupted?

Des Moore: I do not have that information. It is probably an issue for NAMA, in terms of that information.

Q775 Ian Paisley: Could you make a stab at it?

Des Moore: I would really have to provide that information later. I genuinely do not know.

Q776 Ian Paisley: Would you come back to us with some info on that?

Des Moore: Yes, absolutely.

Q777 Dr McDonnell: Chair, I suppose I should declare an interest here: I am a customer, and all those things that are in my register of interests are 75% owned by the First Trust Bank.

Ian Paisley: And 99.8% owned by the Irish government.

Dr McDonnell: I am 75% owned by these guys, so I do not know whether I can even ask them questions or not.

Ian Paisley: Ask them nicely.

Dr McDonnell: How much of your £50 million Business Support Fund has been drawn down? How much of it is in action?

Des Moore: Brian is going to give some more specific detail. The Business Support Fund was set up for the smaller lending opportunities, and as a previous contributor to the Committee, Glenn Roberts from NIIRTA, disclosed, 90% of business in Northern Ireland employ less than 15 people. It is almost a microfinance market, as opposed to an SME market. We made those funds available from about the middle of 2012, and Brian will take you through some of the specific numbers and how much has been committed.

Brian Gillan: The fund launched in June 2012, and, as you said, it was a £50 million fund. To date, under that, we have sanctioned £27 million, and the average loan size is actually £61,000. So, as Des has said, the specific aim of that was at the small and micro-business that makes up the majority of the Northern Ireland economy. What lay behind that strategy was, obviously, if you can go back to that time, confidence was weak. We had seen it as our responsibility to try and build that confidence. I think, whilst it has improved, it is still fragile, and we have seen it improve more in the last six months.

One of the things that we did there with regard to the confidence was we brought forward transparent pricing, so for the first time, we actually told those small businesses, “If you can afford the loan and you have the loan sanctioned, we will tell you up-front what the pricing is going to be”. It was base plus 3.75, and a maximum arrangement fee of £500. That was to encourage people to come forward. If they had viable propositions, we wanted to hear from them, and we talked to all the key business advisers in Northern Ireland. We did a number of one-to-one meetings with them, and we did four regional roadshows throughout

Northern Ireland at that period. What was brought out in the InterTrade access to finance survey recently was the recommendation around a standard, simplified application form. We actually developed that in June 2012, and that was welcomed by the customers and the business-adviser community.

In terms of the business approvals that Des referred to earlier, in terms of the growth of 120% on the back of 2012, that is all part—we believe—of that building confidence. But there is always more we can do. There is always more engagement we need to do, and it does not stop there. We have to be out talking to our customers, both our existing customers and our new customers, and their advisers, and playing our part in the local economy. We see that as a key responsibility of our bank.

Q778 Lady Hermon: Are you going to have a stall at the Balmoral show? We have just heard from Ulster Bank that they certainly are going to.

Brian Gillan: I suppose we will have to ask the Balmoral show if they allow a co-sponsor, but it is certainly about engagement. It is about building confidence. In October 2013, we also launched an owner-managed business fund, which was another £50 million, and we are probably seeing more confidence amongst that larger customer right now in Northern Ireland. What we need to see as an economy is that filter down to the smaller micro-business, because, at the end of the day, that is what makes up the majority of the Northern Ireland economy, in terms of the makeup of the business community.

Q779 Dr McDonnell: Do you see that Business Support Fund as being responsible for the fact that your SME share is 20%, whereas your business share is 14%? Was the SME share always higher? Were you performing higher than your broad business area, or is that 20% a result of that?

Des Moore: Just to be clear, our natural market share historically and to date is 14%. What we are seeing in 2013, from the BBA stats that have been provided, is that we are getting a 20% share of approvals, which is above our market share. Remember, approvals have yet to be drawn down, and that probably underlines the point that Brian has been making. Confidence levels are so fragile that customers are taking much longer to get from getting that loan approved—which, in many cases, they might not think is going to happen in the first place—to actually getting the confidence to go ahead and execute and complete the loan. That is what we are seeing.

Brian Gillan: Just to add to that, it is part of it, Dr McDonnell, but the real value is beyond the £250,000. The Business Support Fund deals with loans up to £250,000, and in terms of the approvals, the main part of the 20% is actually beyond that. That, again, is about confidence. We need confidence to come back down into the majority of our business customers in Northern Ireland, which are small and micro-business.

Q780 Dr McDonnell: You are suggesting that non-bank customers, in your submission, were up to 50% of your lending pipeline. Can you maybe flesh that out a wee bit for us, in more detail?

Des Moore: Absolutely, Dr McDonnell. What we are saying is that actually, in drawdown terms last year, in terms of our overall business volumes drawn down, more than 60% of that business was new-to-bank business. What we are finding is that, because of the proposition that we are putting to the customers and our adopting, as I said, a more high-profile approach in the marketplace, we are attracting more significant volumes of new business. It is getting approved, and actually getting drawn down, so that is a change for us in terms of repositioning, coming out well-capitalised and liquid from the crisis, and actually playing a role in the recovery of the economy.

Q781 Naomi Long: Could I just ask a very quick supplementary, just on what Alasdair has been asking? You have mentioned the difference between, if you like, your rate of approvals and the rate of drawdown, and the evidence is that in terms of confidence, it is taking longer from approval to drawdown. Do you keep statistics of loans that are approved and not drawn down, in terms of the proportion of people who will get a loan approval from yourselves and will choose not to go ahead with it? Do you keep any kind of monitoring as to why they have made that decision?

Des Moore: That is a good question, Ms Long, and obviously we do keep a track of that, because they are the customers that we actually want to draw down. We have to lend; I think sometimes that is forgotten. It is not “wanting to”; we have to lend, in terms of our future profitability and getting back to a profitable situation. We do keep track of that, and keep in touch with those customers to find out what is going on. I might ask Brian to fill out some of that detail for you, if I may.

Brian Gillan: “Not progressing” is how we refer to it, and as Des absolutely says, the door is always open. Sometimes it is for various reasons. Sometimes there is a competitive tender where there is a number of banks, and if they choose to go with another bank, as I said, the door is always open and we look to continually engage with those customers. There is also evidence there that sometimes the customer does not progress, and that comes back to my earlier issue around confidence. The business customers are sometimes taking more time to decide whether they will make the investment, and they are looking very much at the macroeconomic fundamentals before they move forward with those decisions. But we do have that data; we look at it very closely, and we keep track of it.

Q782 Naomi Long: Are you able to share with us what proportion of approvals do not progress to drawdown, or is that commercially sensitive?

Brian Gillan: It is commercially sensitive, but there is a lag. There is a significant number, but subject to the appropriate confidentiality, I am sure Des and myself would be happy to share that outside of this public Committee.

Q783 Dr McDonnell: Just to go back, looking at some of the evidence and the stuff you are coming forward with and looking at our SMEs, which are more micro-businesses than small and medium enterprises, is a base of a quarter of a million a bit high for some of them? Would a lot of them not be coming in at £100,000 or £150,000, rather than £250,000?

Brian Gillan: If I could just take that, it is a maximum of £250,000. So, as I referred to earlier, in terms of the business approvals of £27 million under the fund, the average loan size has been £61,000. So you are absolutely right. What we have been seeing is that actually, the demand is at the lower level. It is between the £50,000 and the £100,000. What we need to see more of is that more of them have the confidence to take that up, to spend the money, and try to create the wealth and the jobs that the Northern Ireland economy needs.

Q784 Dr McDonnell: Sorry to go back there, but it was the owner managed fund I was referring to there.

Brian Gillan: Okay. The owner managed fund is there for facilities where you need to borrow more than £250,000. We launched that £50 million fund in October, and actually, the uptake of that has been very strong. The confidence is higher among the larger businesses in Northern Ireland, because since October, there has been £37 million of that committed out of the £50 million in a very short timeframe.

Des Moore: I think, in conclusion, what we are finding is that confidence levels are higher for the higher borrowing mounts. Obviously, these are the higher turnover companies, and the lower down you go, the confidence level is less.

Q785 Dr McDonnell: Sorry, I want to turn to the agri-food sector. How much dedicated support do you have in this sector, and could you maybe tell us a little bit about the relationship you have with the Northern Ireland Executive, in terms of the agri-food initiative? In other words, is there any John Kelly left? I was acquainted with John Kelly many years ago. Do you have another John Kelly?

Des Moore: I do not know John Kelly. I am sure Brian does, but if I can just give you some overview: we want to play a key role from farm gate to place, in terms of where that industry is. There is huge opportunity in that. It is a very large target sector for us. Obviously, in meeting DETI and in meeting DFP, we have been in conversations about how we can support that more. Whether it is the chicken grower in Dungannon, the fancy restaurant in Howard Street, or the craft butcher in Enniskillen, they are the types of customers we are working with across that whole agri-food segment. Literally, it spans that whole area. In terms of specific agri knowledge, we are working on an agri-food proposition that we hope to bring to the market in the next few weeks, which will see boots on the ground, in terms of people who have the right skill set to engage with agri customers, as I say, from farm gate right through, and provide a level of knowledge and support. I will maybe get Brian to develop that.

Brian Gillan: I do know John Kelly. When I joined the Bank, John, as you know, at that time was the manager in charge of the Bank's agri-food team. Certainly, re-emphasising what Des has said, we are fully committed to the agri-food opportunity. I obviously did not grow up in Belfast; I grew up much closer to Mr Paisley's constituency, and there is a real opportunity there, but you need to have the sectoral competence. Certainly, under me, in business banking we have an agri-food manager who is a sector specialist. He is supported by another person in the sector. We have identified eight agri branches where we are investing in that sectoral knowledge, and we will mobilise a team of about 12 relationship managers so that they are fully equipped and they can understand the agri businesses, but also understand the challenges that they face. We have a lot of knowledge, obviously, through our parent, and we are also considering bringing in some dedicated loans, because obviously the cash flow for a farming business is very different and goes with the seasons. We need to be able to have the flexibility to match that cash flow against our loan products.

In terms of the Agri-Food Loan Scheme, we have been working very closely with the Department of Finance and DETI and Invest NI. I think that is the first initiative that has come through under the Agri-Food Board Strategy, and I hope we will see more of those initiatives. It is always complicated when you have a number of banks and you have a processor and a Government Department, but we are very close to having that ready to launch, and I would be confident that in the next few weeks, that will come to the market. We are also then looking at pork as an opportunity within that sector, as well.

Q786 Dr McDonnell: I mentioned John Kelly because he was a big wheel in the Royal Ulster Agricultural Society, and from my impression, you may have appeared to have withdrawn a bit in recent years. I would like to see you back in there, because basically, you did at the time make a major contribution there.

Des Moore: That is probably a fair comment. Obviously, as you might gather, I am relying on Brian in terms of his agricultural expertise, but if I could take the wider point, Dr McDonnell, in terms of presence and profile, if we are to demonstrate what we do, rather than what we say, we need to take a much more proactive and high-profile role in terms of

demonstrating that and creating that kind of confidence. I think that is a fair point, and something that we are working towards.

Q787 Nigel Mills: Can we just go to business lending? In your submission, you talked about your credit appeals initiative. Can you tell us what percentage of those appeals are upheld?

Des Moore: Just to give you some context, the first thing I would obviously repeat, as you would expect me to, is that we are approving 95% of all applications, so the appeal level is quite low. It is one in 20. In terms of the formal appeal process, we do make our customers aware, on the rare occasion that they are declined, of the appeals process. As you know, it is under independent review. From the latest figures that we have for the latest relevant year, there were 12 appeals heard, and a very small number of those were overturned. I do not actually have the number to hand, but we did hear 12, so it is a very small number.

Q788 Nigel Mills: Can you just talk us through how that independent process happens?

Brian Gillan: The other important point to make is that where you have a decline, or you have to say “no”, it is very important to make clear to the customer that it is not a “never.” How you engage with the customer and understand their strategic plan is important. It is important that any bank, not just our bank, explains what conditions they need to get to or what milestones they need to achieve where you may then, in the future, be able to provide the funding.

In terms of the process itself, where we decline, we communicate with the customer in each decline letter the right of appeal. Before we get to that, someone within the Bank cannot decline it on their own. They must refer it to what we call the next discretion level, the next decision authority, and where the customer then takes up the right of appeal, it goes to our appeals manager, who works with me in Business Banking. He will hear it from the business perspective. It is done at an arm’s-length basis, completely independent of the original people who were involved in the decision. He will also then involve a person from Credit, who will also review the decision.

If they agree, that is the decision that we will go back to with the customer. If they cannot agree, we will refer up again until there is a consensus. It is taken very seriously on our part, and very much what we need to do in addition to the appeals—and I totally support the Economic Advisory Group’s recommendation that we need to strengthen that independent review in Northern Ireland—is the competency and the training, which is equally important. We need to see any marginal applications. We want to see if we can shape them so that we can support and meet the needs of our business customers. The education, competency and training is equally important, I believe, to that process.

Q789 Nigel Mills: Do you have a feeling for how many times someone is thinking of refusing an application, and it then goes up to the next level, as you just said, and that decision is changed at that point? Is that a regular occurrence: that someone is overruled?

Brian Gillan: Inquiries, I think, is what you are trying to capture there. We do not currently capture that data, but in terms of the training and the encouragement, I would re-emphasise again our need to lend. To be viable, to operate as a bank, we need to lend. The approvals rate, whilst it is high at 95% and whilst that is good, it is not an objective we have set ourselves. It is purely a statistic of the outcomes of the number of decisions that come forward in an application process. It is in the training and the competency, and we are always continually improving that so that we understand the sectors our customers operate in and

understand the needs, and work very much in partnership and are seen as an advisor by the customer in every decision that they bring forward to the bank.

Des Moore: If I could just add to what Brian has said, in the aftermath of everything that happened—and as Mr Paisley said, we want to talk about the future today, rather than the past—it is about responsible lending. I am not sure if getting to the stage where every loan application is approved would actually be good for banking or businesses. Some might say that 95% is in that territory. If we talk about raising underlying confidence, this is a competence, and we see it as our responsibility to lift that confidence level within the Bank. For example, on SME lending, we are sending 20 of our most experienced bankers on a two-year specific SME lending certificate programme to raise their skill level and help support the recovery that we are talking about.

Q790 Ian Paisley: You are very SME-focused. You are lending aggressively. I think that is a fair statement. You are re-engaging with the agri-food sector very strongly. You are out of NAMA; you are out the other side of NAMA. Where are you in terms of profit, or when do you think you will be into profit?

Des Moore: Obviously, as we explained, we are in a closed period in terms of talking about specific numbers. The trend is improving from where we were, and we do not report First Trust Bank numbers separately; they are reported as part of AIB UK, so that is an improving picture. I cannot really say any more than that for obvious reasons at the moment. Just one point, though: we are not lending aggressively. We are engaging in responsible lending. I think it is important to spell that out. Are we adopting a higher profile and trying to engage more with our customers and support new propositions? Yes, we are, but we are not lending aggressively.

Ian Paisley: Is that the new word, is it? Thank you.

Q791 Nigel Mills: Can we turn to business mentors? You mentioned, I think, you had got four of those in your written submission. Can you perhaps talk us through what they do and how effective they have been?

Des Moore: The business mentoring initiative was another well-meaning initiative, and there have been a lot of initiatives in terms of how we can help increase that competence and confidence that we have spoken about. We have trained four mentors internally in the organisation to provide that role. I have to say that the take-up from business customers has been quite poor, and, like probably one or two of the initiatives that we have seen, is not well-understood or well-publicised in the marketplace. It has probably been a little bit disappointing. If I could just build very briefly on that point, I think there are sufficient initiatives around to support business, but we need to try to coordinate them and bring them together a little bit more. May I be so bold as to suggest, in terms of the various committees looking at what banks need to do, that we—the banks—could be involved generally more in some of those committees, in terms of arriving at some of those decisions? I am probably building on a slightly different point.

Q792 Lady Hermon: I have listened very carefully to that last point. It is something that we will bear in mind when we are writing our report. Could I just ask you about three things that have come to mind? Could I just ask you, so that we can establish this, how many bank branches you have specifically in Northern Ireland?

Des Moore: We have 32, Lady Hermon.

Q793 Lady Hermon: 32. Have you closed any of them in recent years?

Des Moore: We have, unfortunately. Because of changing customer behaviour, we have closed 11 branches and four sub-offices over the last two years.

Q794 Lady Hermon: What about plans for future closures? The answer to that is that you are not planning any.

Des Moore: That is your suggested answer?

Lady Hermon: That is my suggested answer.

Des Moore: Not to go too much off-script, but we do not want to close branches. We do, as any responsible retail business would, have to look at the changing customer behaviour. I do not want to replay what previous contributors have said, but there is a dramatic shift in behaviour, in terms of what is happening and numbers of customers visiting a branch. I did listen to what you said, in terms of the previous contribution, about you liking the personal interaction, and I understand that, but in terms of getting back to profitability, we have come through a difficult time. We have made the vast majority of the difficult decisions around restructuring for the wealth and benefit of the majority of customers and staff. I would say that it is something we constantly keep under review.

Q795 Lady Hermon: That is a very diplomatic reply, but it is quite worrying as well. Are you actually saying to customers that there may be more closures of bank branches?

Des Moore: I can assure you that we are absolutely committed to having a branch presence in Northern Ireland, but I cannot give you any guarantee that we might not have to review it in six, 12 or 18 months' time. In terms of the context, the vast majority of the restructuring of our business for the future has already taken place.

Q796 Lady Hermon: Right. Can I just ask you—because you are the representative and the boss of First Trust Bank in Northern Ireland—as we did with the previous witnesses: is there a commitment that, if you in fact have to close a bank branch, you actually look at the availability of other branches of your own bank and, in particular, the services that are available from post offices? What services are available at the present time for First Trust Bank through a post office?

Des Moore: It is cash withdrawal and checking your balance. It is a limited enough range of services at the moment. We are engaging with the post office. I have been to the post office here in London to see what expanded range of services we might undertake, should we in fact have to do anything more in terms of our branch locations, but we do not want to close branches, as I say. The type of things we take into account are how close the nearest branch is, particularly around elderly customers, and how we can overcome that fear factor in relation to adapting to the new channels. I am not including you in that. In fact, we have put free wifi in all of our branches in Northern Ireland, and we have trained and appointed somebody to specifically work with older members of our community to show them. Actually, it is not about a competency; it is about a fear of, “How safe is my money?” We have done some internal research, and, with that in mind, we are trying to help overcome and break down those barriers.

Q797 Lady Hermon: Yes, but am I right in summarising that you are proactively seeking to expand services that are available through a post office?

Des Moore: We are engaged with the post office to see if we can expand that range of services to make sure we give our customers a wider range of service options.

Q798 Lady Hermon: And that would be irrespective of any future possible long-distance branch closures?

Des Moore: It is in that context, Lady Hermon.

Q799 Lady Hermon: Right. The second issue that I wanted to raise is whether I am right in thinking that—and it is some years ago—Allied Irish Bank offered First Trust Bank for sale. Am I mistaken about that?

Des Moore: You are not mistaken. That was the case. I can absolutely assure the Committee that that is not the case right now. We are absolutely committed to Northern Ireland, to the UK market, and in fact we have substantial investment in terms of a plan for 2014 and beyond. As I said, my role is to develop the franchise in Northern Ireland, and I am really excited about that. I think it is an area of great opportunity.

Q800 Lady Hermon: You have pre-empted my next bit, which was asking for an assurance to your customers and to everyone who wants to bank with First Trust Bank that, in fact, you are there for the long haul and for the future.

Des Moore: We are absolutely committed to that.

Q801 Lady Hermon: So pleased to hear that. And then, finally, on this series of questions, I have one to do with IT. Have you managed to avoid all IT glitches, and, if so, what is the magic recipe?

Des Moore: In terms of a serious outage of service, we have not encountered one in recent years. I cannot say it will not ever happen in the future, and you would not ask me for those guarantees, but I can assure you of this: we have very robust recovery plans, which we test very frequently. I am satisfied that, should there be an outage of service, we could recover that service very quickly.

Q802 Lady Hermon: Is your IT outsourced, or is it based in Dublin, is it based in Belfast, or it is even based in Bangor?

Des Moore: Perhaps you are suggesting where it should be based. I think we have some applications run from Belfast, from Northern Ireland. The vast majority of our IT infrastructure is based in Dublin, but, as I said, that has not been to the detriment of the service in Northern Ireland.

Q803 Dr McDonnell: I have two very quick questions around this, and you have provoked the second one. I will go with the second one first. Do you have any plans to insource work? We obviously could do work in Northern Ireland perhaps cheaper than in Dublin or London. Do you have any plans to insource some IT stuff, or indeed other support services?

Des Moore: You have raised a very good point, Dr McDonnell. I am struck, since I arrived here last year, by the advantages of a well-educated workforce where there are opportunities to develop white-collar or back-office services—not necessarily back-office—and I think there is an opportunity there, and we have begun to explore that opportunity. I am not doing an ad for Invest Northern Ireland, but clearly the workforce, property, rates of labour and education levels make it something that is well worth exploring, and we are at the initial stage of exploring that within the Group.

Dr McDonnell: Every one of us around this table would love to help you. The second thing is this: do you have any plans to humanise your telephone system? It used to be very humane and very easy to work with, and it is now absolutely—even for somebody like myself who is well used to spending half his life on the phone—a nightmare. That is where I think the glitch is, because your call-centre setup gets you referred to almost some robotic person.

Some of them are very good, some of them are very personable, but it is almost robotic, and I would dread to be an 80-year-old trying to challenge this system: “Press button one,” or “Press button two,” or “Press button five” and make up your mind and whatever. I am honestly not sure that you guys in executive positions are aware of the nightmare. I had occasion to do it the other day, and literally, it did my head in. The music can be very nice.

Chair I think we have got the gist.

Des Moore: It serves us well to listen to your feedback. Based on your experience—and you did say you were a customer, so I am presuming it is First Trust you are talking about—there are aspects of the system that could be improved; we will take that away with us, look at that and see how we can do better. Clearly, if we are asking customers to use alternative means and there is something about those means that discourages a particular demographic or customers in general, that is something that we need to take on board.

Chair Can we just nip back to branch closures?

Ian Paisley: I would say, in defence of Kieran in Ballymena, he answers the phone and he talks very, very freely.

Chair Branch closures, thank you.

Q804 Ian Paisley: Yes. I want to go back to one of the stats you mentioned. Our last witnesses told us, in the first quarter of last year, 21% of transactions were in branches, and by the end of the third quarter it was down to 16%. You are saying the trend is similar. Could you put any more meat on the bones of that?

Des Moore: Yes, I could. The latest figures we have would suggest that just one in four, or 25%, of customer transactions take place in a branch. That has fallen, though, by 30% since 2008, so what we are seeing is a swing away from transactions in the branch. I think I am allowed to give you one other number. We came to the market with our mobile app in July, and there has been 30,000 downloads of the mobile app, which is quite significant in terms of our customer base. Technology is helpful; technology will enable us to do things smarter and deliver a low-cost service, hopefully more efficient, but there are aspects within that that we have to make sure suit all customer demographics, and if they do not, that we help those customers to overcome their fear or whatever concerns they have.

Q805 Ian Paisley: Have you measured the profile of those customers, in terms of their age?

Des Moore: That is a good question. I do not think we do, but I will check back at the source of that information and let you have that.

Q806 Chair Slightly linked to branch closures, or the service provided by branches, I want to talk about personal banking service. It links to Alasdair’s question, really. Are those days gone?

Des Moore: A personal banking service?

Chair So you phone up and you know who you are speaking to. Are those days long gone, forever?

Des Moore: No, I do not believe they are. I think that, if we think of a basket of transactions, there are day-to-day transactions and things you can do more efficiently using other channels, but if it is human, face-to-face interaction that you are looking for, there is no substitute for that. Particularly, for example, on mortgages and personal loans, we would welcome you into any of our branches to have a conversation about your financial needs on a personal basis. That is still available. What we want to just draw the distinction between is transactions that could be done more effectively remotely, and may not involve the same

face-to-face level, and then ones where we do need to understand your customer needs in a greater way. You cannot really do that on a remote basis. Maybe we spent a lot of time talking about the business banking market today, but obviously, we are a significant player in the personal banking market as well.

Q807 Naomi Long: I am going to go back to the issue of regional lending data and the detail that is provided on that, if I could. You provided us, helpfully, with a list of what you do provide to the BBA at the moment. Can I just check: given what you have said about the differential between formal loan approvals and drawdown, do you have figures for new lending, and do you provide those to the BBA? That is the first question.

Des Moore: I will ask Brian to cover this in detail at the moment. As far as I am concerned, we provide everything to the BBA and the Bank of England that we are required to do, as we must. We also—I noticed from your earlier question—distinguish between existing and new lending. We strictly only account for the new lending piece. I know it has been a circular conversation, to use your own phrase, but we are absolutely more than open to provide that information and that disaggregated information that you are looking for. I understand from the EAG, who I think are looking at that, that they had hoped to provide the first draft by the first quarter of this year. Certainly, anything that we can do to support that, we absolutely will do.

Brian Gillan: Just following on from that, obviously, the Economic Advisory Group made a very clear recommendation to have aggregated sectoral data and postcode data. The sectoral, I think, is going to be quite straightforward for the banks, and certainly my view would be that they are all in a position to provide that. The postcode may require a little bit more work, and the joint ministerial task force, I know, have made it clear that one should not delay the other. In terms of the new approvals, there are two data that are provided to the BBA. One is static data, in respect of business loans and business overdrafts; the other one is in respect of business approvals. To answer your question, in terms of drawdowns or business written, that is not currently provided to the BBA. Now, my view would be that that is data that should be expanded into the data set and, on an aggregated basis, should be made available.

I would also suggest that facilities in respect of asset finance and invoice discounting, which does make up a significant part of the Northern Ireland market, should also be added into the expanded data set. I know that the Economic Advisory Group was also recommending that those banks that have a presence in Northern Ireland should also participate, so, certainly, I reiterate what Des has said. We are fully committed and supportive of it, and are working with the BBA to provide that, and we understand why Government and the business community need that information.

Q808 Naomi Long: I have a couple of questions leading on from that. First of all, the data that you provide, and are going to continue providing, obviously—do you separate out the Northern Ireland data only? Is it visible in terms of what happens in Northern Ireland, as opposed to what happens, for example, in your GB sector and in the group more generally?

Des Moore: We only report the Northern Ireland data.

Q809 Naomi Long: And you mentioned the issue of postcode being more difficult. The issue that the Ulster Bank raised was not that it was more difficult to achieve, but that they had concerns about exposing customers in terms of their lending and so on, in terms of just data protection. What is your issue with the postcode issue?

Brian Gillan: My view is that we need to validate the data. We need to test the data. Obviously, there is a very easy solution to that; it is to just start to cluster postcodes. I think, once we have the data, we can get to a level where there is a high level of assurance that we will not breach any customer confidentiality, and neither you nor us would want to cause anything of that nature. I do think that we can achieve that. Once the data is available, I think we will be able to test and validate so that customer confidentiality is absolutely guaranteed.

Q810 Naomi Long: One of the other issues that has been raised is the definitions that banks use for the different sets of data as well, and the inconsistency that is perceived around that. Do you think it would be helpful to clarify, so that we are clear that we are all speaking the same language and mean the same thing when we speak it? Because, as we know, that is often a problem.

Des Moore: I would agree that there is a different language around banking, and we use terms like sanctions and drawdowns. We need to understand that not everybody understands this the same way. We certainly need to speak more English when it concerns those issues, so we would be supportive of that, and of the notion that everybody should be reporting exactly on the same basis.

Q811 Naomi Long: I am just interested, because I wrote to yourselves along with the other banks and did not receive a reply to my inquiry. Some replied to say that it was commercially sensitive and they would not share it, others were willing to come and brief me on it, and others provided a written response, so there was a differential. I did not get a reply from yourselves.

I want to just probe this issue of new lending, to be absolutely clear about it. There are two categories that I am interested in. The first is where somebody comes in and you change the terms and conditions of an overdraft, and you reduce the amount of lending. My understanding is that currently is new lending, because it is essentially a new loan facility that has been offered to someone, even though it is a reduction. Now, I know if I read your loan book going back, I can see what is happening, but obviously when you produce your figures in press releases, you do not put your loan book out there; you actually just talk about new lending, and if we are going to talk English, most people expect that that means money that was not there the last time you reported. Is that included in your new lending figures? Are those kinds of re-profiled loans or overdrafts included in new lending?

Brian Gillan: Hopefully it was not me you wrote to, by the way.

Naomi Long: It was not.

Brian Gillan: Obviously, Des and myself will follow that up, and we are only too glad to facilitate you in a meeting to go into it in more detail. Taking the example you described there, in terms of a loan that is renewed at a lower level, that would not classify as new with us. Taking the examples that you gave earlier, in terms of the top-up and the £100,000 or the £110,000, only the £10,000 top-up would be classified as new.

Q812 Naomi Long: Even where the whole loan was re-profiled as a single loan with new terms and conditions?

Brian Gillan: Yes. If it was a restructure, and that would classify as a restructure, that would not go in as new. It is new money to our balance sheet, and new approvals.

Q813 Naomi Long: Thank you. On timeframe—apologies—you have mentioned you thought that there might be some progress on this in the first quarter of this year?

Des Moore: I was picking that up from other contributors at this forum. I understood that that was being progressed, but let us be absolutely clear: if we are asked to continue

reporting or enhance the reporting in line with all the other banks in Northern Ireland, we will absolutely do that.

Q814 Naomi Long: So when the BBA say it will come in due course, where do you think their caution stems from? The banks are all telling us that they are willing to do it now, and we are all saying we would like it now, so what is the problem?

Des Moore: I cannot really answer that question. Obviously, the BBA will speak for themselves, and obviously have been before the Committee.

Q815 Naomi Long: They speak for the banks, surely, as a collective.

Des Moore: Sorry, you are absolutely correct. Obviously, I can only speak from a First Trust perspective, and we are absolutely committed to providing that information. What we can do, though, is bring our influence to bear in terms of the BBA conversations and the people from our bank who engage with the BBA to make that clearer and follow it through.

Q816 Naomi Long: Obviously it is quite disconcerting for us, because the BBA is a representative body for banking.

Des Moore: Yes.

Naomi Long: And if all the banks are telling us they are happy to do it now and the BBA are telling us there is a need for delay, we wonder who they are representing.

Des Moore: That must be frustrating. Let us take that away. I will certainly take that away, in terms of something that we can do better on.

Q817 Lady Hermon: As a point of curiosity, I always like to know the perspective that individual banks would have on our devolved administration. Could I just ask you to describe the working relationship that the Bank would have with the Department of Finance at Stormont, and DETI at Stormont again? You have spoken very complimentarily, and I thank you, about Invest NI, who I think do a terrifically good job in Northern Ireland. It was nice to hear that independently. Would you like to just comment in the final few moments of the session about your working relationship with the Executive and the Assembly generally?

Des Moore: Just to explain, obviously Gerry McGinn, who was the former Managing Director and is currently an Executive Director had a very strong working relationship with those departments. As Gerry moves towards leaving our business and taking on the chairmanship of SIB and the other executive roles he has within Northern Ireland, he is introducing me now as the head of First Trust Bank to those relationships, so I have met Arlene and I have met Simon, and we have started to continue that engagement process. I would say that through Gerry's leadership, I will take on the mantle from him, and we will have very strong engagement. We understand how it works and how we need to be involved and engaged in how that work goes, and my hope and my desire is to do that. I have started to embark on that, and I am meeting those stakeholder authorities.

Lady Hermon: Thank you so much.

Chair: Thank you. It has been a very useful session. Thank you very much indeed for joining us.

