



## House of Commons Scottish Affairs Committee

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# Royal Bank of Scotland branch closures

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## Third Report of Session 2017–19

*Report, together with formal minutes relating  
to the report*

*Ordered by the House of Commons  
to be printed 22 May 2018*

## The Scottish Affairs Committee

The Scottish Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Scotland Office (including (i) relations with the Scottish Parliament and (ii) administration and expenditure of the offices of the Advocate General for Scotland (but excluding individual cases and advice given within government by the Advocate General)).

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The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No. 152. These are available on the internet via [www.parliament.uk](http://www.parliament.uk).

### Publication

Committee reports are published on the [Committee's website](#) and in print by Order of the House.

Evidence relating to this report is published on the [inquiry page](#) of the Committee's website.

### Committee staff

The current staff of the Committee are Ben Williams (Clerk), Laura-Jane Tiley (Second Clerk), Allen Gallagher (Inquiry Manager), Ben Rayner (Committee Specialist), Chloe Freeman (Senior Committee Assistant), Robert McQuade (Committee Assistant), and George Perry (Media Officer).

### Contacts

All correspondence should be addressed to the Clerk of the Scottish Affairs Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 8204; the Committee's email address is [scotaffcom@parliament.uk](mailto:scotaffcom@parliament.uk).

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# 1 Introduction

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1. On 1 December 2017, the Royal Bank of Scotland (RBS) announced plans to close 62 RBS branches across Scotland leading to 158 job losses.<sup>1</sup> A full list of the affected branches can be found on RBS's website.<sup>2</sup> This is part of a programme of 259 branch closures across the UK, including 197 operated under the NatWest brand. Should these closures go ahead there will be 89 RBS branches left in Scotland.<sup>3</sup>
2. RBS defended the closures, stating that it was a response to increasing numbers of customers accessing services online or via mobile devices. The bank said it has seen a 40% drop in the use of branches since 2014 with mobile transactions having increased by 73% over the same period, these figures appear to be UK wide covering RBS, Natwest and Ulster Bank of Northern Ireland branches.<sup>4</sup>
3. Reaction to the announcement has been highly critical, with business groups, communities, unions and politicians from all the major parties in Scotland expressing concerns. There have been calls from a number of sources for the UK Government—which currently owns a 70.85% stake in RBS as a result of its financial bailout of the bank following the 2008 financial crisis—to use its majority shareholding to intervene and force RBS to reconsider the closures.
4. Given the extent of the most recent round of closures, and the widespread concerns that have been expressed about the likely impact on businesses, communities and staff, we decided to hold a short inquiry to discuss the closure proposals with affected groups and examine the closure decision with senior staff from RBS. We held a public evidence session on 17 January where we heard from Scottish Rural Action, Unite Scotland, Scottish Chambers of Commerce, the Post Office and senior RBS executives. We also invited the public and interested organisations to comment on the closures by submitting written evidence or posting in an online forum hosted on MoneySavingExpert.com.<sup>5</sup>
5. Following this session RBS announced its decision to delay the closure of ten branches by six months to give these branches the opportunity to improve their performance, after which the decision to close them will be reviewed again.<sup>6</sup> We held a second evidence session with RBS, including their Chief Executive, Ross McEwan, on 8 May to discuss these developments. We also took the opportunity to hear from the Lending Standards Board, who oversee the voluntary code of practice on branch closures, to which RBS is a signatory. We are grateful to all those who contributed to our inquiry.
6. We begin this Report by focusing on the role of RBS itself - making recommendations to RBS as a company about the standards we expect of it, given the extent of public ownership. We then turn to what action we believe the Government and regulator should take before finally considering the adequacy of alternative methods of banking that were raised during this inquiry.

1 BBC News [RBS to close more than a third of branches in Scotland](#) 1 December 2017

2 <https://personal.rbs.co.uk/personal/ways-to-bank/branch-banking/branch-closures.html>

3 BBC News [RBS to close more than a third of branches in Scotland](#) 1 December 2017

4 RBS, [Help and support for personal and business customers - Alloa branch closure](#), accessed 15 May 2017

5 <http://forums.moneysavingexpert.com/showthread.php?t=5762807&page=1#topofpage>

6 RBS, [Royal Bank of Scotland listens to customers by providing additional support to customers and keeping branches open](#), 6 February 2018

## 2 Closure programme

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7. RBS's decision to close 62 of its branches in Scotland caused widespread concerns about the impact this would have on customers, businesses and the wider economic health of affected communities. Unite Scotland have described the bank's decision as "morally bankrupt" and accused RBS of reneging on their promise not to close one of their branches if it was "the last branch in town",<sup>7</sup> a commitment made by RBS in 2010.<sup>8</sup>

8. Emma Cooper, from Scottish Rural Action, told us that rural communities would be particularly affected by the closures as poor transport links meant that "it can take people a really long time, having to use several modes of transport and at great expense, to travel to the next nearest bank, sometimes involving ferries as well as public transport".<sup>9</sup> She also said that those with mobility issues and caring responsibilities would be particularly badly affected.<sup>10</sup> We have also received accounts from individuals concerned about the impact on their elderly relatives,<sup>11</sup> with one account provided to us by Scottish Rural Action stating:

My father in law uses this bank and has done so all his life he has dementia and can't remember pin numbers to use the machine. He is in his late 80s and struggles with change.<sup>12</sup>

Similarly, the consumer group Which? have noted that "Bank branch closures disproportionately impact vulnerable consumers, particularly those in rural areas, those without access to good broadband, and those on lower incomes".<sup>13</sup>

9. The Federation of Small Businesses (FSB) have described the closures as: "disappointing news [...] for the Scottish towns, cities and villages affected. Ultimately, these changes will make it more difficult to run a business in much of Scotland—including many deprived communities and tourism hotspots." Research by the FSB into the impact of bank branch closures on local businesses found that closures often created additional costs for business owners, made it more difficult to manage cash flow and hit productivity and the wider local economy.<sup>14</sup> Charandeep Singh, Scottish Chambers of Commerce, told us that "businesses are trying to be as pragmatic as possible" about the closures and that provision of information about alternative ways of accessing banking services was "exceptionally important".<sup>15</sup>

10. Scottish Government business minister Paul Wheelhouse MSP has described the closures as "hugely concerning", saying that it would leave "large areas of Scotland, particularly rural areas, with limited branch coverage". He went on to say:

These cuts affect some of our most remote rural communities, and many market towns in rural areas are also losing their branch, with potentially significant impacts on business customers, local personal customers and

7 "RBS closure of 62 branches morally bankrupt says unite", Scotsman, Accessed 22 May 2018

8 "RBS reneges on promise to safeguard 'the last bank in town'", Financial Times, Accessed 22 May 2018

9 Q3

10 Q3

11 Mrs Elizabeth Bernard ([RBS0007](#))

12 Scottish Rural Action ([RBS0020](#))

13 Which? ([RBS0016](#))

14 "Locked Out: The Impact of Bank Branch Closures on Small Businesses", FSB, October 2016.

15 Q2

visitors, with the worst impact felt by vulnerable customers and those small businesses, who are the backbone of the economy, who rely on the services provided by a physical, local branch presence.

11. David Mundell MP, the Secretary of State for Scotland said RBS's response that more people can use internet and mobile banking was "not good enough"<sup>16</sup> and, commenting on the proposal to close branches in his constituency, said that RBS had "given up on rural Scotland".<sup>17</sup>

12. When he appeared before the Committee we asked Ross McEwan, Chief Executive of RBS, whether he understood the impact these closures would have on communities and the anger and disappointment felt by the people affected. He replied:

[...] change is absolutely difficult and we have been in these communities for a very, very long period of time. What we have endeavoured to do is to look at each one of these customer groupings and work out what services we should provide to them [...] so that they can do their daily banking in the way that they currently do today. But it will be in a different way. [...] I do recognise that customers are very disappointed that their local branch is closing.<sup>18</sup>

13. **The closure of these branches will be a devastating blow to the affected communities, removing vital services relied upon by businesses and disproportionately affecting vulnerable customers. We are not convinced that RBS fully appreciate the damage these closures will do to the communities and businesses that rely on these branches.**

## Reasons for the closures

14. During both evidence sessions RBS repeatedly stated that the closures were driven by changes in customer behaviour.<sup>19</sup> RBS have said that they are closing branches in response to increasing numbers of customers accessing services online and via mobile devices. Its impact assessment on branch closures reported that there has been a 40% drop in the use of branches since 2014 and that mobile transactions have increased by 73% over the same period.<sup>20</sup> Ross McEwan, Chief Executive of RBS told us that banking via mobile phone was the most popular channel for its customers to access banking services.<sup>21</sup> In addition to online banking, RBS have said there are several other ways that customers can access banking services, including via mobile branches, community bankers and in Post Office branches. We consider these alternatives in more detail later in this Report.<sup>22</sup>

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<sup>16</sup> HC Dec, 6 December 2017, [Col 1014](#)

<sup>17</sup> David Mundell website, [David urges re-think on RBS Biggar closure](#), Accessed 22 May 2018

<sup>18</sup> [Qq148–149](#)

<sup>19</sup> For example: [Q57](#), [Q59](#), [Q64](#), [Q70](#)

<sup>20</sup> RBS, [Help and support for personal and business customers: Aberdeen, Bridge of Don branch closure](#) Accessed 22 May 2018 (Same facts in all branch closure documents)

<sup>21</sup> [Q153](#)

<sup>22</sup> Chapters 5 and 6.

15. Unite Scotland had a different view of RBS's motivation, saying that they believed the closures were intended to improve the value of the bank's shares, "ripening it up to go back into the private sector."<sup>23</sup> When we put this suggestion to RBS they said that this was not their motivation,<sup>24</sup> and told us that closures were not driven by a desire to make financial savings. Les Matheson told us:

The saving that we are going to be making is £9.5 million. You are right, it is not a significant amount of money. Rather than pieces of it, if you take the whole cost base, for example, of the business that I am responsible for, it is a little over £4 billion. This is not about saving money. This is about making sure that we are adjusting to changes in customer behaviour.

16. RBS recently reported a profit of £792m in the first three months of 2018, compared to £259m in the same period last year. This rise has been attributed to a "fall in restructuring costs, and a drop in conduct and litigation costs", as well as its plans to reduce the size of its estate.<sup>25</sup> Unite has called for a moratorium on RBS branch closures following the publication of the latest financial figures.<sup>26</sup>

17. **RBS have told us that these closures are not motivated by a desire to save money but are about responding to changes in customer behaviour.** RBS themselves have told us that the savings these closures will make are small relative to the size of their business. During the course of this inquiry, we have heard compelling evidence about the adverse impact these closures will have for individuals, communities and businesses. *If RBS truly wants to meet the needs of its customers it should respond to this overwhelming evidence—which shows that there continues to be a strong demand for in-branch services—and halt its closure programme. Given the recent profits reported by RBS this is a cost they can easily afford to bear.*

## Impact on staff

18. When the closure programme was announced, it was reported that 158 jobs would be lost.<sup>27</sup> However, this figure does not give a complete picture of the impact on jobs. Unite Scotland's evidence claims that "RBS has consistently used figures to present job losses as FTE (Full-Time Equivalent) rather than the actual numbers of jobs at stake" and that, because many roles in bank branches were part-time, the actual number of people whose jobs were at risk was 321.<sup>28</sup>

19. When we questioned RBS on this they accepted that the 158 figure was for FTEs and that the total number of employees affected by the closures programme was 312.<sup>29</sup> Jane Howard told us that RBS had been able to guarantee jobs for 79 members of staff meaning that 233 people had been told that their jobs were at risk. Of those 233, 169 people chose to take voluntary redundancy, with 64 people wanting to be redeployed within RBS. At the time we first took evidence from RBS, alternative roles had been found for 41 members

23 Q4

24 Q138

25 BBC News, [RBS profits trebles as costs fall](#), 27 April 2018

26 BBC News, [RBS chief executive defends branch closures](#), 27 April 2018

27 Herald, [Royal Bank of Scotland axes 158 jobs as it closes 62 Scottish branches](#), 22 May 2018

28 Unite Scotland ([RBS0014](#))

29 Rather than the 321 figure given by Unite.

of staff meaning that 23 people were still facing the prospect of compulsory redundancy.<sup>30</sup> At our session in May, RBS provided an update, saying that there were now 12 employees for whom an alternative role in the organisation had not been found and were therefore at risk of compulsory redundancy.<sup>31</sup>

20. RBS told us that it was offering training and support to staff who were at risk of losing their jobs, including training in “digital capability and transferable skills.”<sup>32</sup> We were also told that RBS was seeking to minimise compulsory redundancies by offering voluntary redundancy to staff in branches that would remain open and matching that post to someone in a closing branch that wanted to remain with RBS, and that some affected staff were being offered roles as community bankers.<sup>33</sup>

**21. We welcome the detailed information that RBS has provided on the impact on staff, although we believe they should have been upfront about the true scale of job losses when they first announced the closures. We are encouraged by the steps RBS is taking to minimise the number of compulsory redundancies and urge it to do all it can to work with the 12 members of staff without job offers to find them suitable positions. We would welcome an update on this situation in response to our Report.**

### Partial delay to the closure programme

22. Following our initial evidence session in January, RBS announced a number of changes to their closure programme, including:

- a) Where RBS owns the building a branch is situated in, and there is no demand for that building, it will transfer ownership of a building to a community venture for free if there is a viable and deliverable three-year business case. If the community venture fails within those three years, then the ownership of the building will remain with the RBS.
- b) Providing free digital devices to a small number of high-use, regular branch customers affected by branch closures, who have no access to a nearby branch where they can bank online.
- c) Reviewing the opening times of all branches.
- d) Reviewing Mobile banking van routes and times on a monthly basis.

23. The most significant change was the announcement that 10 of the branches that were marked for closure would be kept open until the end of 2018. The affected branches are: Biggar; Beauly; Castlebay on the Island of Barra; Conrie; Douglas Lanarkshire; Gretna; Inveraray; Melrose; Kyle and Tongue. When it announced these extensions, RBS said that “Should any of these branches see sustainable transactional increase and viable new income over this period, then we will reconsider the closure of the relevant branch as part of a full independent review.”<sup>34</sup>

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30 [Q136](#)

31 [Q188](#)

32 [Q137](#)

33 [Q137](#)

34 [RBS, Royal Bank of Scotland listens to customers by providing additional support to customers and keeping branches open](#), 6 February 2018

24. We asked RBS how it had decided which branches would have their closures delayed. We were told that it was a response to concerns that had been raised about RBS closing the last bank branch (of any provider) in a town and the distance that customers would have to travel to their nearest branch. Eight of the ten reprieved branches are the last bank in town and more than nine miles from the next nearest RBS branch.<sup>35</sup> The Melrose branch is also the last bank in town but is not nine or more miles from the nearest other branch, however RBS decided to delay its closure “because of the concentration of closures in the Borders” and because of its “accessible” location.<sup>36</sup> The final branch included is Kyle, which was originally the host branch for RBS’s mobile branch vans. RBS told us that while they had “now found a new home for that mobile van [...] at the time we had not decided where the home was going to be for the mobile van and we decided to keep that as we changed the routes to make sure it settles down well for our customers.”<sup>37</sup>

25. RBS have provided little public information about how this review will be conducted. This may partly be because it has been reported that the company originally identified to lead this work is now unable to do so.<sup>38</sup> RBS was not able to provide us with more information on who would be leading these reviews, only saying that it expected someone to be in place by the end of June<sup>39</sup> and that the reviews themselves would take place “between June and August.”<sup>40</sup>

26. We pressed RBS for more information about how the review process would operate when they appeared before us in May. We asked them to provide us with information about how the performance of these branches would be judged, to which Les Matheson replied that “at the moment the criteria that we are looking at are the volume of transactions, the accounts that are open, that are present and new ones that are opened, new volume, but we will also be talking to those independent advisers to get any other thoughts and suggestions they have.”<sup>41</sup> He confirmed that this meant that the targets the branches will have to meet had not been finalised, but assured us that they would be made public when they were agreed.<sup>42</sup> Following the session Ross McEwan wrote to us to say that “it would be for the independent reviewer to decide the final criteria for the branches to be reviewed against, and we will work with them to ensure they have the information they need to carry out the work.” He added that RBS expected the independent reviewer to “actively and formally engage with customers, community leaders, elected representatives and colleagues” as part of the review.<sup>43</sup>

27. We also asked RBS what support they were providing to these branches. RBS did not provide information about any additional support, with Ross McEwan only saying that they were “making sure that the staffing levels are maintained.”<sup>44</sup> As some Members noted during the session, a number of these branches have extremely limited opening times which makes it difficult to see how they can achieve “sustainable transactional increase and viable new income” without additional support.<sup>45</sup>

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35 [Q192](#)

36 [Q192](#)

37 [Q192](#)

38 BBC News, [RBS chief executive defends branch closures](#), 27 April 2018

39 [Q222](#)

40 [Q220](#)

41 [Q220](#)

42 [Qq202–203](#)

43 Letter from Ross McEwan to the Chair, 21 May 2018

44 [Q205](#)

45 [Q200](#)

28. During the session we asked RBS how it defined a transaction for the purposes of evaluating the performance of these ten branches, as there had been concerns that only transactions that could not be done online would be counted. RBS told us that this was not the case<sup>46</sup> and, following the session, provided the following explanation of what was meant by transaction:

Branch figures reflect both recorded customer transactions and service – and include both counter and automated machine transactions. Examples of transactions include, cash withdrawals and deposits, statement requests, funds transfers; paying a bill; mixed lodgement; and a change in address. We are however unable to include a general enquiry or a customer picking up a product leaflet, where such inquiries are not easily recorded. Customer visits numbers include both customers and non-customers.<sup>47</sup>

29. We did get some clarity on the scope of the review programme. RBS's initial statement suggested that it would only be those branches that saw "sustainable transactional increase and viable new income" that would have their closure decisions reconsidered "as part of a full independent review."<sup>48</sup> However when this was put to Les Matheson he said that all ten branches would be reviewed.<sup>49</sup> RBS also confirmed that it would be RBS, rather than the independent reviewer, that would make the final decision on branches futures, although Ross McEwan assured us that they would take the review's findings "seriously."<sup>50</sup>

**30. There is still a lot of uncertainty around how the ten branches which have been granted a six-month reprieve will be evaluated and on what basis decisions on their futures will be taken. Given the lack of information available, it is not currently possible for us to have confidence that this process will be fair and independent. We are concerned that no reviewer has been appointed and no decision has been made on how branch performance will be judged, almost four months after the initial announcement was made. This is not fair on the staff who work in these branches nor the communities they serve. The fact that it was not until two weeks after our second hearing that RBS announced that the independent reviewer, rather than RBS itself, will decide the criteria these branches are judged against casts doubt on how well RBS has planned and managed this review process. We recommend that RBS should postpone the review of these branches until 6 months after the independent reviewer has been appointed and the targets these branches will be judged against have been announced. RBS should also set out what additional support it is providing to these branches to ensure that they are not being setup to fail.**

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46 [Qq201–202](#)

47 [Letter from Ross McEwan to the Chair, 21 May 2018](#)

48 [RBS, Royal Bank of Scotland listens to customers by providing additional support to customers and keeping branches open, 6 February 2018](#)

49 [Q216](#)

50 [Q228](#)

## Further closures?

31. Several individuals who contacted us expressed frustration that their local bank was facing closure after they had moved to it following a previous round of closures. 38% of those who responded to Scottish Rural Action's survey of its members said that they had been affected by multiple branch closures over the last few years, with one individual commenting:

They shut our Bonnybridge branch. Then we used Denny and now its shut.  
[We] now use Bannockburn and they're going to shut this.<sup>51</sup>

32. RBS acknowledged these concerns, saying that one reason why the current round of closures "felt large" was that it was trying to avoid displacing customers multiple times. Jane Howard, Managing Director, Personal Banking, told us that "customers do not like closure by closure by closure because they go to another branch. What we are trying to give is certainty".<sup>52</sup> We asked RBS if this meant that the current round of closures would be the last for the foreseeable future. Les Matheson responded:

We have no other plans. I can absolutely categorically say that. At some point in time, if circumstance changed in particular areas or technology changes in a way that we cannot imagine right now, things may change, but I can absolutely say we have no plans right now."

During his appearance in May, Ross McEwan went further saying that there would be no more closure reviews in Scotland until at least 2020.<sup>53</sup>

33. **We welcome the assurance that RBS has no plans for further closures in Scotland and that this would only change if "circumstance changed in particular areas or technology changes in a way that we cannot imagine right now", and Ross McEwan's statement that there would be no further reviews until 2020. We intend to hold RBS to this commitment. Should any future review lead to more branch closures in Scotland, RBS must provide detailed information about how the local or technological situation has changed to such a degree as to justify a further round of closures.**

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51 Scottish Rural Action ([RBS0020](#))

52 [Q95](#)

53 [Q147](#)

## 3 Government involvement

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34. Following the 2008 banking crisis the UK Government became the majority shareholder in RBS. Through the Bank Recapitalisation Fund, the UK Government bought almost £45.4 billion of shares in RBS.<sup>54</sup> Following a sale of some shares back to the private sector in 2015, HM Treasury currently owns a 70.85% stake in RBS.

35. The Government's shareholding is held by UK Financial Investments (UKFI), which the Government created to manage its shareholdings in Lloyds, RBS and other institutions on behalf of HM Treasury. According to its website the overarching objective of UKFI is:

to manage these shareholdings commercially to create and protect value for the taxpayer as shareholder and to devise and execute a strategy for realising value for the Government's ownership stakes in an orderly and active way over time within the context of protecting and creating value for the taxpayer as shareholder, paying due regard to the maintenance of financial stability and acting in a way that promotes competition.

The National Audit Office has described UKFI's role as follows: "UKFI manages the investments on a commercial basis and does not intervene in day-to-day management decisions of investee companies."<sup>55</sup>

36. There have been calls from numerous groups for the Government to use its majority shareholdings in RBS to intervene and prevent the closures. Unite Scotland told us that the UK Government should demand that RBS leaders produce alternative closure plans<sup>56</sup> and Scottish Rural Action called on the Government "to halt these closures" until a review had been carried out.<sup>57</sup> The Federation of Small Businesses made a similar recommendation saying that the Government should "pause the current programme of RBS branch closures, with a view to ensuring that no area is left without a bank branch."<sup>58</sup> A number of members of the public who contacted us, or submitted their view via Scottish Rural Action's survey, also argued in favour of direct Government intervention to prevent the closures.<sup>59</sup>

37. We repeatedly invited the UK Government to send a Minister to appear before us to give evidence on the Government's stake in RBS and its implications for the closure programme. Steve Barclay MP, then Economic Minister to the Treasury declined to attend; instead writing to us to set out the Government's position:

[...] each bank's branch strategy, including whether to open or close individual branches, is for the management team of each bank to determine. The Government does not intervene in these commercial decisions. As you will be aware, RBS Group retains its own board, which is responsible for strategic and management decisions. They have decided to announce the closures, in line with their strategy.

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54 NAO, [First sale of RBS shares, HC 244, July 2017](#)

55 NAO, [Financial institutions landscape, HC 418, September 2015](#)

56 Unite Scotland ([RBS0014](#))

57 Scottish Rural Action ([RBS0020](#))

58 Federation of Small Businesses ([RBS0018](#))

59 Mr Martin Sutcliffe ([RBS0008](#)), Scottish Rural Action ([RBS0020](#)), Mr William Gunn ([RBS0015](#))

[...] The Government cannot reverse the changes in the market and in customer behaviour; nor can it determine firms' commercial strategy in response to those changes. However, the Government will continue to take positive action to maintain access to vital banking services and ensure banks support communities across the UK when their local branches close.<sup>60</sup>

38. We asked RBS, on several occasions, what their reaction would be if the UK Government demanded that RBS look again at the closure programme. In response to this question Les Matheson, Chief Executive of Personal & Business Banking, RBS; said:

I think we will always talk to MPs and Ministers, but we have to take account of customer behaviour and the changes that are happening in the world with digital.<sup>61</sup>

After repeated questioning on this subject, he replied:

We are a commercial enterprise and we have to act and behave as a commercial enterprise.<sup>62</sup>

39. We explored this issue further with Ross McEwan when he appeared before the Committee. He said that he did listen to the views of the UK Government but that "at the end of the day, I am running a commercial operation and we have to make commercial decisions."<sup>63</sup> He also said that RBS had received no representations from the UK Government on the subject of branch closures.<sup>64</sup> In their written evidence RBS told us that:

We regularly meet with Officials from across HM Government and Scottish Government. We provided information about the detail of our announcement to Officials in both HMT and the Scottish Government on 29 November 2017.<sup>65</sup>

40. Mr McEwan also argued that he has an obligation to "all shareholders, which includes the UK and all of the taxpayers" to make sure the bank is "in good shape" so that the Government can get as much of its investment in the bank back as possible.<sup>66</sup> This seems to contradict previous assurances we were given by Les Matheson that the closures were not about saving money, or preparing the bank for re-privatisation.<sup>67</sup>

**41. We were disappointed that no UK Government Minister appeared to respond to our questions about the closure programme and that we did not have the opportunity to test the policy that the Government "does not intervene in commercial decisions" with a Minister. Notwithstanding the Government's position that it does not interfere with commercial decisions, we are disappointed that the UK Government has not sought to make stronger representations to RBS about the impact these closures will have on communities across Scotland. If RBS does not act on our recommendation to halt the closures we recommend that the Government use any influence that its majority shareholding provides to apply pressure on RBS to reconsider the closure programme.**

60 [Letter to the Chair from Economic Secretary to the Treasury 19 December 2017](#)

61 [Q60](#)

62 [Q62](#)

63 [Q154](#)

64 [Q159](#)

65 RBS ([RBS0024](#))

66 [Q165](#)

67 See paragraph 11

## 4 Access to Banking Standard

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42. In 2015 the major high street banks signed up to an industry-wide agreement on how to manage bank branch closures, which was developed with support from the Coalition Government. This “Access to Banking Protocol” was reviewed in 2016 by Professor Russel Griggs whose recommendations were incorporated into the current Access to Banking Standard, which has applied since 1 May 2017. The overarching principle underpinning the Standard is that:

Customers and relevant stakeholders of a bank branch that is closing will be provided with clear, understandable, accessible documentation and information about that specific closure as soon as the bank is able to do so, also what it will mean for them and how they can continue to bank following its closure.

Since July 2017 the Standard has been overseen by the Lending Standards Board (LSB).<sup>68</sup> We explore the role of the LSB in more detail later in this chapter.

43. The Standard places several obligations on banks who have decided to close a branch. These include:

- Informing its customers and stakeholders of the decision to close a branch as soon as the bank is operationally ready to do so and at least 12 weeks before the closure.
- Publishing, at the time of the announcement, an Impact Assessment and making customers aware of the Assessment. This should contain:
  - The bank’s procedure for deciding to close a branch.
  - The main reason for the closure of that branch and, where appropriate and subject to commercial confidentiality, what information was used to make that decision.
  - The bank’s assessment of the impact of the closure on customers.
  - The date of the closure.
  - What the alternatives are, how they can be accessed, and what the bank will do to help or assist customers access alternatives.
- Identifying which other bodies and organisations may be affected by the closure of the branch, and providing them with documentation and information about the closure.

The Standard also requires banks to communicate with customers and stakeholders between the closure announcement and closure date, including contacting vulnerable individuals and responding to concerns that have been raised by stakeholders, and to provide support after a branch has closed.<sup>69</sup>

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<sup>68</sup> Lending Standards Board ([RBS0013](#))

<sup>69</sup> [Access to Banking Standard](#)

## Impact Assessments

44. Liz Thompson, Head of Compliance at the LSB, provided more information about the impact assessments that banks are required to produce and publish when branches are due to close. She said that “what the firms will likely do is produce one template document. That should have information that is relevant to the branch that is closing—where the nearest post office is, where the nearest other alternative bank is and so on”.<sup>70</sup> She continued that the impact on customers was “looked at from the point of view of how far the customers are going to have to travel to the nearest branch. Therefore, it is the impact on their ability to continue to do their banking.”<sup>71</sup>

45. RBS has published “help and support for personal and business customers” documents for each branch due to close,<sup>72</sup> which appear to be intended to fulfil the requirement of the Impact Assessment described in the Standard. These documents contain a mixture of general information about the reasons for closures together with tailored information about the nearest remaining RBS branch, Post Office branch and cash point. In February some of these assessments were updated with more information about the number of regular customers using a branch.<sup>73</sup>

46. A number of witnesses have been critical of the quality of information in these documents. Lyn Turner, from Unite Scotland, told us:

I read impact assessments on a monthly basis with local authorities and it is far from an impact assessment. It just talks about groups that they have consulted and complaints. It is not an impact assessment as you would think an impact assessment should be carried out.

Emma Cooper, from Scottish Rural Action, raised concerns about the lack of local knowledge demonstrated in the assessment.

RBS is suggesting that customers in Campbeltown should go to Brodick, for example, when in the winter there is one ferry a day, you would have five minutes, not even in Brodick, just on Arran, to do your banking.

47. Ms Cooper also noted that some of the alternatives were discussed in very general terms and it was not clear, from the information provided in the assessment, whether those options would be available in a particular area:

Mobile bank vans are referred to in all of the information given out to different people but there is no timetable available and it is not very clear whether or not those communities will actually be getting a mobile bank van service.<sup>74</sup>

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70 [Q306](#)

71 [Q307](#)

72 For example—RBS, [Help and support for personal and business customers: Aberdeen, Bridge of Don branch closure](#) 13 May 2018

73 For example RBS, [Help and support for personal and business customers: Aberdeen, Bridge of Don branch closure](#) Accessed 15 May 2018, but not RBS, [Help and support for personal and business customers - Alloa branch closure](#), accessed 15 May 2017

74 [Q24](#)

We also note that the impact assessments contain no information on the availability and quality of broadband or 4G mobile phone signal in the catchment areas served by a branch, which customers need to effectively use online banking services referred to in the assessments. We further note that these impact assessments make no attempt to consider the impact on vulnerable customers, despite the concerns that were raised by our witnessses.

48. One area in which RBS has gone beyond the requirements laid down in the Standard is the notice it has given of the closures. Professor Russel Griggs, who reviewed the Access to Banking Protocol, notes that RBS announced these closures 6 months ahead of time while the standard only requires 12 weeks' notice. He also commented positively on RBS's deployment of digital experts in their branches to help customers move towards alternative ways of banking.<sup>75</sup>

**49. RBS's Impact Assessments only go part of the way to meeting the requirements of the Access to Banking Standard. They do not provide sufficient information on the situation in relation to individual branches, for example whether customers have access to a suitably reliable broadband connection to allow them to use online banking, the practicality of traveling to the next nearest branch or the effective availability of alternative services such as mobile branches and community bankers. Without this information we do not see how these documents can be said to have properly assessed the impact of the closures on customers, businesses and communities. The Lending Standards Board's current interpretation of impact as being "how far the customers are going to have to travel to the nearest branch" is far too limited, and we recommend that it adopt a more comprehensive view of impact in future reviews.**

## Consultation process

50. There is currently no requirement under the Access to Banking Standard for banks to consult customers or staff ahead of a decision to close a branch. An RBS spokesman has said: "We are not required to consult with communities in advance. What we do is speak to communities once we've announced a closure to make sure our regular customers know all of the ways they can bank."<sup>76</sup> Emma Cooper, from Scottish Rural Action, expressed disappointment that community groups had not been consulted ahead of the announcement, saying:

"if discussion had been held with communities in advance of the decisions being made perhaps some compromises could have been reached or some alternatives could have been discussed. We have incredibly strong and resilient rural communities in Scotland [...] giving them more time and the option to talk to people from RBS about some sensible alternatives and solutions would have been very useful for them".<sup>77</sup>

Unite Scotland told us they were first made aware of the closure plans on 1 November and had their first "consultation directly with the company on 8 November" but that at this meeting "the bank officers sought to inform us simply about the closures about which they were not prepared to consider any negotiation.

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75 Professor Russel Griggs ([RBS0011](#))

76 Daily Record, [RBS face mounting pressure to save lifeline branches set for closures](#), 17 December 2017

77 [Q8](#)

51. We put the proposal that banks should consult ahead of closures to the Lending Standards Board, the self-regulatory body which oversees banks' compliance with the Access to Banking Standard. David Pickering, Chief Executive of the LSB, told us that the LSB's role was to enforce the current Standard which had been agreed by the banks. However, he did suggest that the LSB might be open to changing its guidance, depending on what evidence it gathered from its reviews.<sup>78</sup>

**52. Despite the consultation that RBS has done since announcing the closures, it appears to us that there would have been real benefit in RBS consulting more widely ahead of the decision to close its branches. The Access to Banking Standard requires banks to make an assessment of the impact closures will have on customers when closures are announced, but it is difficult to see how this can be achieved without banks directly consulting customers before closure decisions are taken. As one witness put it: "How can you know if you don't ask?"<sup>79</sup>**

**53. We recommend that the Lending Standards Board consult on amending the Access to Banking Standard to require banks to consult its customers before the final decisions on branch closures are taken and announced. We believe this would be consistent with, and enhance, the current requirements the Standard places on banks to assess the impact of closures on their customers.**

## Lending Standards Board

54. The Lending Standards Board (LSB) is a self-regulatory body, which provides independent oversight of adherence to voluntary standards by registered firms in the financial sector. The Standards that currently fall within the LSB's remit are the Standards of Lending Practice for Personal Customers, the Standards of Lending Practice for Business Customers, the Access to Banking Standard and the Vulnerability Principles. The LSB became responsible for oversight of the Access to Banking Standard in July 2017.

55. In their written evidence the LSB told us that it adopts a "risk-based and proportionate approach to overseeing branch closure programmes" and that it meets with every firm that announces a closures programme "to enable us to form a view of the risk presented to the Standards by the firm's approach". The LSB then decides whether to review the closure programme once it has been completed or whether to conduct its work alongside the programme. In addition to reviewing individual closure programmes the LSB also conducts thematic review work on higher risk areas: such as identification of vulnerable customers, post-closure support or stakeholder communication.<sup>80</sup> When they appeared before us the LSB emphasised that it was not their role to get involved in decisions about which branches were to close, instead they reviewed the documents that the bank had produced to check whether they complied with the requirements of the Standard.<sup>81</sup>

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78 [Qq308-311](#)

79 [Q24](#)

80 Lending Standards Board ([RBS0013](#))

81 [Q274](#)

56. For RBS's current closures in Scotland the LSB has said it will be conducting its review alongside the closure programme, rather than reviewing it retrospectively.<sup>82</sup> Liz Thompson, Head of Compliance, LSB told us:

The process we have undertaken was very much around obtaining information from them on what they have issued out to their customers, and understanding how that fits with what the standard requires. Part of the oversight process that we have in place is that we report individually back to each firm, and the information within that report that is sent to that firm is between us and that firm. We do not publicly report on what we have found.

57. We discussed in more detail the LSB's decision not to publish its report on RBS's compliance with the Standard, or any action plan for improvement that is agreed between RBS and the LSB. We questioned whether this was appropriate given the level of public interest in these closures. David Pickering, the LSB's Chief Executive, acknowledged that it was "a very fine balance" but said that the confidential approach had worked well in getting banks to make improvements where problems were found with some of the other standards, relating to bank lending, that the LSB has a role in overseeing.<sup>83</sup>

58. We also explored with the LSB what action it could take if they consider that there has been "a material breach" in the Access to Banking Standard. The current options available to the LSB are:

- a) The publication of the Registered Firm's name and details of the Registered Firm's Breach in the LSB's Annual Report and/or on the LSB's website;
- b) The issue of directions as to future conduct;
- c) The issue of recommendations on the remedy of past conduct;
- d) The issue of a reprimand or warning;
- e) Public censure of a Registered Firm, by notifying the media of the Board's findings in respect of a Breach and any sanctions applied, and posting the press release on LSB's website, and
- f) The cancellation or suspension of the Registered Firm's registration.<sup>84</sup>

We asked the LSB whether they thought these enforcement powers were sufficient, given that the majority of sanctions focussed on the threat of a bank suffering reputational damage - as bank closure programmes already attracted a large amount of public and press criticism. Mr Pickering accepted this point but said that the LSB had had a lot of success in getting banks to make progress by working with them "behind the scenes".<sup>85</sup> He continued that firms were very responsive to requests by the LSB saying that firms dealt with the LSB "as if we are a regulatory body".<sup>86</sup> He said that statutory regulation would be needed to allow banks to be fined for non-compliance with the Standard.<sup>87</sup>

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<sup>82</sup> Lending Standards Board ([RBS0013](#))

<sup>83</sup> [Q282](#)

<sup>84</sup> Lending Standards Board ([RBS0013](#))

<sup>85</sup> [Q290](#)

<sup>86</sup> [Q302](#)

<sup>87</sup> [Q297](#)

59. RBS's closure programme presents a real challenge for the LSB, as the highest profile closures since it took on responsibility for overseeing the Access to Banking Standard. It needs to be seen as a robust and independent regulator if it is to earn public confidence in the current self-regulatory regime. *We recommend that the LSB reconsider its decision not to publish the result of its work on the RBS closure process and any action plan that is agreed; having an open and transparent review process is essential if the public are to have confidence in the current system of self-regulation.*

60. *We recommend that the Government monitor the effectiveness of LSB as the guardian of the Access to Banking Standard. If the LSB is unable to maintain public confidence in the current regime the Government should consider intervening and consult on introducing a scheme of statutory regulation.*

## 5 Alternative banking methods

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61. Since they announced these closures RBS have emphasised the alternative ways that their customers can continue to bank with them. These methods include: online banking, using a mobile branch and the support offered by community bankers. In this chapter we consider the adequacy of these alternatives to in-branch banking.

### Online banking

62. RBS has cited the increase in online banking as one of the main reasons behind the recent round of branch closures. The “help and support for personal and business customers” documents that RBS has published for each branch closure state:

More and more people are choosing to do their banking online, with our Mobile Banking app, or over the phone. It’s more convenient to do it at a time and place that suits you, rather than come into branch. This means some branches are being used a lot less than they used to be.

- Branch usage is down 40% since 2014
- 1.1 billion mobile and online transactions in first half of 2017—an increase of 41% since the second half of 2014
- Number of customers using our mobile app up by 43% since 2014
- Mobile transactions up by 73% since 2014<sup>88</sup>

Ahead of the closures, RBS have said that all affected branches will have a “Digital TechXpert”; a member of staff who will provide practical help to customers wishing to set-up and use online banking. RBS told us that 7 of 10 of these customers used mobile banking<sup>89</sup> but accepted that this did not mean that those customers were able to use mobile banking to meet all of their needs.<sup>90</sup>

63. RBS’s reliance on mobile banking as an alternative to in-branch services has been criticised on the basis that many of the areas affected have limited broadband coverage. According to an article in the Press and Journal, of the 18 branches facing closure in the north and north-east of Scotland, 12 are in areas in the bottom 20% of broadband coverage—of which five are in the worst 10%.<sup>91</sup> Unite Scotland’s evidence refers to poor-WiFi coverage being an issue, particularly in the Borders and the Highlands and Islands, as well as to the “elderly or infirm” having more difficulty banking online.<sup>92</sup> Which? note that almost 2 million adults in Scotland do not use online banking services “with bad broadband identified as a key reason.”<sup>93</sup> Secretary of State for Scotland, David Mundell MP, has said it was “not good enough for RBS to say people can rely on internet and mobile banking when so many people in Scotland do not have access to the internet or mobile services”.<sup>94</sup>

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88 RBS, [Help and support for personal and business customers: Aberdeen, Bridge of Don branch closure](#) Accessed 22 May 2018 (Same text in all branch closure documents)

89 [Q158](#)

90 [Q170](#)

91 Press and Journal, [Threatened banks are in worst broadband areas](#), 5 December 2017

92 Unite Scotland ([RBS0014](#))

93 Which? ([RBS0016](#))

94 HC Dec, 6 December 2017, [Col 1014](#)

64. The FSB has highlighted a lack of digital skills, particularly amongst older small business owners, as a key obstacle to businesses doing more banking transactions online, while some individuals who submitted their own accounts of the impact of closures expressed concerns that using online banking could leave them vulnerable to online fraud. Emma Cooper from Scottish Rural Action, noted that the “UK Government’s digital inclusion strategy states that 10% of people because of literacy or disability issues, may never be expected to be able to use online banks.”<sup>95</sup>

65. We asked RBS if they had looked at the broadband and mobile coverage in towns where their branch is being closed, including the wider catchment area. In response, Les Matheson told us:

We are assuming there will be a proportion of customers who will not be able to access Wi-Fi or broadband and so we are providing services to make sure that if people have not made that switch that they will have access to, particularly, paying in and taking out money<sup>96</sup>

However when we asked RBS if they had done any analysis looking at whether customers in the banks’ catchment areas had access to broadband we did not get a satisfactory answer, with Jane Howard’s reply focusing on the fact that RBS has invested in providing wifi in branches themselves, saying that customers were welcome to use their own mobile devise in those branches.<sup>97</sup>

**66. Online banking has changed the way that many people bank, providing an easier and quicker way for customers to perform some everyday banking services. We welcome the efforts that RBS is making to help customers develop the digital skills they need to confidently and safely bank online. However, we are disappointed that RBS does not appear to have analysed the availability of decent quality broadband in the catchment areas of the banks they are planning to close.**

### ***Targets for transferring customer to online services***

67. Ahead of our second evidence session with RBS, a number of Members received information that RBS was setting its staff targets for moving customers to online methods of banking, which could serve to reduce footfall to branches, making them less sustainable. During the evidence session the Chair asked Ross McEwan whether it was “the case that staff have been set targets in these branches in order to secure these digital customers”, to which Mr McEwan replied:

No, it is not right. Can I just say what we do have? Some years ago we removed all incentives out of our branch network. I think we were one of the first banks to do that. We took all incentives out. What we have been asking our colleagues to do is talk to customers about other ways of banking.

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95 [Q3](#)

96 [Q68](#)

97 [Q232](#)

Later in the session Hugh Gaffney MP asked what performance targets had been set for bank branch staff in relation to online banking. In response Jane Howard, Managing Director of Personal Banking said “We talked about this earlier when we said we do not have targets and we removed incentives. I expect our colleagues in the branches to talk to customers about all the ways to bank, and that includes digital.”<sup>98</sup>

68. Following this evidence session, it was reported in the Daily Record that RBS does set targets for its employees on switching customers to online services. This article featured a screenshot of a document appearing to show these targets.<sup>99</sup> We wrote to RBS to ask them to clarify their evidence. In response RBS told us that:

- There are no targets or frontline financial incentives for Royal Bank colleagues in branches
- Royal Bank staff are not incentivised to encourage digital adoption.
- Royal Bank staff are asked to show customers all the different ways to bank including in Post Office, online, on the phone, through our app and other ways.<sup>100</sup>

RBS continued that “as a bank we have removed targets and frontline incentives for our colleagues - this was an important step in changing the culture [...] and moving away from the mistakes of the past.” They continued that “targets are very specifically defined in our organisation” and that “colleagues have goals to serve our customers well and [...] we asked them to do a number of things in order to meet this aim.” They said that the document featured in the Daily Record article was “a standard performance document” in which staff are “expected to agree objectives with their line managers [...] as well as ways of measuring against these goals.”<sup>101</sup>

## Mobile branches

69. Mobile branches are vans which travel between different rural communities to offer banking services. This is offered in 21 areas and provides the following services:

- a) Cashing cheques
- b) Making account deposits
- c) Paying bills
- d) General account and product enquiries

RBS’s website states that: “Our Mobile Branch staff are happy to help Customers contact main areas of the bank so that they can make enquiries or get quotes for all of Royal Bank of Scotland major products, such as loans, credit cards and insurance.”

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<sup>98</sup> Q208

<sup>99</sup> Daily Record, [Leaked documents show RBS bosses DO have targets to push customers towards online banking](#), 14 May 2018

<sup>100</sup> [Letter from Ross McEwan to the Chair of the Scottish Affairs Committee](#), 16 May 2018

<sup>101</sup> [Letter from Ross McEwan to the Chair of the Scottish Affairs Committee](#), 16 May 2018

70. Unite has criticised the reliance on mobile branches as an alternative to traditional branches saying there is “considerable evidence of complaints about the quality of these current services”<sup>102</sup> with Lyn Turner noting that poor weather in the Highlands, particularly during winter, made these services unreliable.<sup>103</sup> Emma Cooper told us that individuals with mobility issues could have difficulty using mobile branches;<sup>104</sup> said that it was unclear whether areas affected by closures would be covered by mobile branches,<sup>105</sup> and noted that mobile branches had limited opening hours.<sup>106</sup> Mobile branch stops range between 5 minutes and 2 hours, with stops of 15 to 60 minutes the most frequent.<sup>107</sup>

71. The FSB reported that their members “frequently cite security issues” with mobile branches and that one member was robbed outside their business while waiting for a mobile banking unit. They were also critical of the poor attempts made by RBS and others to raise awareness of mobile banking units and their routes.<sup>108</sup>

72. Jane Howard, Managing Director of Personal Banking at RBS told us that mobile banks “will be reaching 440 communities every week”,<sup>109</sup> and that since the announcement RBS had been working with some local councillors to identify the best places for the mobile vans to stop.<sup>110</sup> She also said that where communities had been shown the mobile van the reaction had been positive, and that RBS was planning on demonstrating the vans to more affected communities.<sup>111</sup> Les Matheson said that mobile vans “in particular” would help provide banking services in areas with no or poor broadband coverage.<sup>112</sup>

73. In April RBS was criticised for announcing revised mobile banking timetables that reduced the time that the mobile bank stopped in some towns, with some stops being removed entirely.<sup>113</sup> Colin Borland, FSB’s head of devolved nations, was highly critical of this move saying:

“RBS made the argument that the impact of Scottish branch closures would be mitigated by smart ATMs and mobile van bank services. Today’s reports warn that, because more branches are closing, these mobile van services will be spread even more thinly—making it harder for local businesses and consumers to access banking services.

“RBS looks again like it is trying to cut services that customers find valuable. This move also seems to clash with evidence RBS chiefs gave to MPs in January, where they talked up investment in their mobile bank fleet.”

Members of the Committee also have direct knowledge of communities that will be losing their mobile branch service as a result of these changes.<sup>114</sup>

102 Unite Scotland ([RBS0014](#))

103 [Q18](#)

104 [Q3](#)

105 [Q24](#)

106 [Q18](#)

107 Based on analysis of 8 mobile branch timetables from <https://personal.rbs.co.uk/personal/ways-to-bank/mobile-branch.html>

108 Federation of Small Businesses ([RBS0018](#))

109 [Q66](#)

110 [Q68](#)

111 [Q72](#)

112 [Q68](#)

113 Press and Journal, [North community leaders angered by cuts to mobile bank van services](#), April 11 2018 plus John’s question.

114 [Q241](#)

74. When these points were put to RBS, Les Matheson told us that RBS had “added more stops than we have taken away” and that where stops had been withdrawn it was because “they are not being used.”<sup>115</sup> We were also told that the number and length of stops is constantly monitored,<sup>116</sup> and that it had four backup vans that could be used to provide extra capacity if needed.<sup>117</sup>

75. While we welcome RBS’s attempts to mitigate some of the impacts of branch closures through alternative provisions, such as mobile banking vans, we have heard that mobile banking is in no way a replacement for traditional in-branch banking services. There are particular concerns about the availability and quality of mobile banking vans. *RBS must properly engage with the views expressed by affected communities, and further expand its fleet of mobile branches if this is required to meet its customers’ needs.*

## Community bankers

76. Community bankers are members of RBS staff who are based in local communities to provide non-cash banking services. RBS has said that this will include “supporting financial planning, education and goals”,<sup>118</sup> as well as providing individuals with advice and support banking in other ways, such as using post office banking services.<sup>119</sup> In their written evidence RBS described community bankers as:

much like an old-fashioned manager and replicate many of the services available in our branches. For example, a typical day may include a community fraud event with a local luncheon club or a school financial education event, followed by individual customer appointments at the local community centre and a home visit to a more isolated or vulnerable customer.<sup>120</sup>

77. Lyn Turner from Unite Scotland, told us that the plans for community bankers were insufficient saying that his understanding was “there would be seven community bankers in the whole of Scotland, two of which would be in the Highlands. That is two covering the land mass of Belgium.”<sup>121</sup> Les Matheson told us that in response to feedback the number of community bankers had been increased to 21.<sup>122</sup>

78. **We welcome the introduction of community bankers by RBS, but believe that their current plans will fall far short of meeting customer needs. 21 individuals cannot cover the geographic area previously served by 62 physical branches, especially given their proposed role in providing home visits to vulnerable customers, which will be a resource intensive task. RBS need to radically increase the number of community bankers, otherwise these plans risk looking like a tokenistic attempt to deal with customers concerns.**

<sup>115</sup> [Q237](#)

<sup>116</sup> [Q240](#)

<sup>117</sup> [Q240](#)

<sup>118</sup> RBS ([RBS0024](#))

<sup>119</sup> [Q68](#)

<sup>120</sup> RBS ([RBS0024](#))

<sup>121</sup> [Q6](#)

<sup>122</sup> [Q103](#)

## 6 Post Office banking services

79. RBS's impact assessments advise customers that they can access some banking services at Post Office branches.<sup>123</sup> RBS's personal banking customers can check their balance, make withdrawals using their debit card and PIN and pay in cash and cheques with a pre-printed paying-in slip at any Post Office. Business customers can also use Post Offices to make deposits of up to £2,000 with a pre-printed paying-in slip, debit card withdrawals of up to £500 and can register for their change-giving service. Standard charges apply to business customers, which are the same as those they would pay if they were using an RBS branch. Martin Kearsley, Banking Director for the Post Office told us that the Post Office was not setting out to replace banks but did "look to replace those daily transactions", and said that "what we do with our partner banks is replace the daily cash in and cash out type services."<sup>124</sup>

80. A 2014 Citizens Advice study found that 53 per cent of small and microbusinesses used the Post Office for business purposes, with over half (51 per cent) accessing banking services.<sup>125</sup> Earlier research by Consumer Futures found this dependence was even higher in rural communities, with over two thirds (68 per cent) of rural businesses using their local Post Office on a weekly basis.<sup>126</sup> However research by Which? has highlighted the lack of awareness of banking services offered by the Post Office saying that "just 11% of customers used the Post Office more because their local branch had shut. This was largely due to a lack of awareness of the services offered and low levels of trust in Post Office staff training and knowledge. Additionally, Which?'s research shows that while 72% of the people across the UK rated their experience of the Post Office as good or excellent, 41% said that they didn't realise that it offered banking services." Martin Kearsley accepted that there was a lack of awareness of the Post Office's banking services "which we would like to try to do something about with the Committee's help, the banks' help and with our own marketing teams".<sup>127</sup>

81. An FSB report on branch closures raised questions about whether Post Office services fully met the needs of businesses. In particular, the report noted that:

- a) the cash deposit limit may be preventing some firms from depositing their full weekly earnings;
- b) the processing of cheque deposits was perceived as taking longer than in branches. This is because the money is not paid into an account until the Post Office have delivered the cheque to the bank, and
- c) the inability of some Post Office branches to provide cash, currency exchange or inter-account transfers was a problem in areas reliant on tourism.<sup>128</sup>

<sup>123</sup> RBS, [Help and support for personal and business customers: Aberdeen, Bridge of Don branch closure](#) Accessed 25 January 2018 (Same text in all branch closure documents)

<sup>124</sup> [Q37](#)

<sup>125</sup> Citizens Advice, '[The Experience of Small Businesses as Consumers in Regulated Markets](#)' September 2014

<sup>126</sup> Consumer Futures, State of the Rural Network (unpublished), 2014 cited in FSB, [Locked out: The impact of bank branch closures on small businesses](#), p13, October 2016

<sup>127</sup> [Q35](#)

<sup>128</sup> FSB, [Locked out: The impact of bank branch closures on small businesses](#), October 2016

82. The Post Office said that the £2,000 deposit limit referred to walk-in transactions and catered to 92% in all deposits. For businesses that wanted to make deposits greater than £2,000 Mr Kearsley said that the Post Office worked with those customers and their bank to arrange for cash to be collected directly from the business at a pre-arranged time.<sup>129</sup>

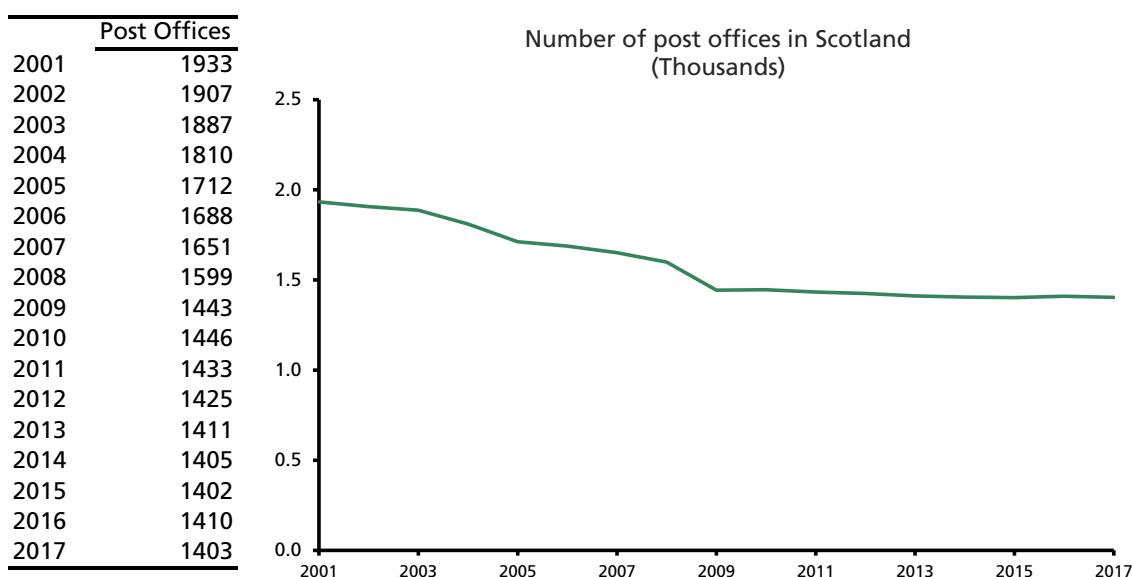
83. **While the Post Office is not a replacement for a high street bank, we welcome the fact that the Post Office provides some of the day-to-day services that customers would otherwise do in their local bank branch. We recommend that the Government, Post Office and Royal Bank of Scotland work together to improve awareness of the bank services offered by the Post Office.**

### Capacity of the Post Office network

84. We have also heard concerns about whether the Post Office has the capacity to cope with the increased footfall which could result from the most recent round of RBS bank branches closing,<sup>130</sup> with some groups raising concerns about relying on the Post Office for banking services because of worries about its opening hours or the prospects of future closures. In their evidence, Kilbirnie and Glengarnock Community Council noted that “the Aberfeldy post office branch was closed for a considerable period earlier this year and has ongoing issues with opening hours due to staffing shortages.”

85. As the graph below shows, there was a decline in post offices during the mid to late 2000s but since then the number has been declining more slowly. The number of post offices in Scotland has hovered around 1,400 since 2014. This is consistent with the national trend where post office numbers have been relatively stable since around 2009. As of April 2017, there were 1,403 post offices in Scotland.

**Number of Post Offices in Scotland**



Sources: POSTCOMM Annual Reports & Post Office Ltd Network Reports, personal communication

129 Q50

130 FSB, [Locked out: The impact of bank branch closures on small businesses](#), October 2016

The vast majority of post offices (around 98%) are operated by franchise partners or sub-postmasters, who are independent business people, with only 20 being Crown post offices which are directly managed by Post Office Limited.<sup>131</sup>

86. Martin Kearsley was confident that the Post Office had the capacity to deal with additional banking customers that might seek to use Post Office services following branch closures, telling us “We absolutely do. We have been transacting on behalf of banks since 1998. Those services have gradually increased through that time. Three or four years ago we were doing about 70 million transactions a year and in 2017 that has risen to 120 million, so we have seen growth”.<sup>132</sup>

87. Responding to concerns about opening hours and branch closures Tom Moran, Network Development Director, from the Post Office told us that under their network transformation programmes the Post Office had “added 27,000 opening hours right across the country.”<sup>133</sup> We were told that while branch numbers fluctuated due to individual postmasters retiring or selling their businesses where a branch closed in a place which needed a Post Office there was a Post Office team responsible for speaking to local businesses to see whether an alternative can be found. Mr Moran said that “the majority of the time we are very successful at doing that.”<sup>134</sup> RBS told us that where a Post Office branch closes they will review their mobile branch service route to extend cover in that area.<sup>135</sup>

**88. Given the increasing importance of the Post Office as a provider of basic banking services, it is essential the banks and Post Office communicate with each other about their closure decisions, and work together to ensure all communities have a location where it is possible to access face-to-face banking services. We recommend that the Lending Standard Board review the effectiveness of communication between banks who decide to close branches and the Post Office in a future thematic review of branch closures.**

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131 House of Commons Library. [The Post Office](#), January 2018 and Q44

132 [Q48](#)

133 [Q39](#)

134 [Q47](#)

135 [Q182](#)

# Conclusions and recommendations

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## Closure programme

1. The closure of these branches will be a devastating blow to the affected communities, removing vital services relied upon by businesses and disproportionately affecting vulnerable customers. We are not convinced that RBS fully appreciate the damage these closures will do to the communities and businesses that rely on these branches. (Paragraph 13)
2. RBS have told us that these closures are not motivated by a desire to save money but are about responding to changes in customer behaviour. RBS themselves have told us that the savings these closures will make are small relative to the size of their business. During the course of this inquiry, we have heard compelling evidence about the adverse impact these closures will have for individuals, communities and businesses. *If RBS truly wants to meet the needs of its customers it should respond to this overwhelming evidence—which shows that there continues to be a strong demand for in-branch services—and halt its closure programme. Given the recent profits reported by RBS this is a cost they can easily afford to bear.* (Paragraph 17)
3. We welcome the detailed information that RBS has provided on the impact on staff, although we believe they should have been upfront about the true scale of job losses when they first announced the closures. We are encouraged by the steps RBS is taking to minimise the number of compulsory redundancies and urge it to do all it can to work with the 12 members of staff without job offers to find them suitable positions. We would welcome an update on this situation in response to our Report. (Paragraph 21)
4. There is still a lot of uncertainty around how the ten branches which have been granted a six-month reprieve will be evaluated and on what basis decisions on their futures will be taken. Given the lack of information available, it is not currently possible for us to have confidence that this process will be fair and independent. We are concerned that no reviewer has been appointed and no decision has been made on how branch performance will be judged, almost four months after the initial announcement was made. This is not fair on the staff who work in these branches nor the communities they serve. The fact that it was not until two weeks after our second hearing that RBS announced that the independent reviewer, rather than RBS itself, will decide the criteria these branches are judged against casts doubt on how well RBS has planned and managed this review process. *We recommend that RBS should postpone the review of these branches until 6 months after the independent reviewer has been appointed and the targets these branches will be judged against have been announced. RBS should also set out what additional support it is providing to these branches to ensure that they are not being setup to fail.* (Paragraph 30)

5. We welcome the assurance that RBS has no plans for further closures in Scotland and that this would only change if “circumstance changed in particular areas or technology changes in a way that we cannot imagine right now”, and Ross McEwan’s statement that there would be no further reviews until 2020. We intend to hold RBS to this commitment. *Should any future review lead to more branch closures in Scotland, RBS must provide detailed information about how the local or technological situation has changed to such a degree as to justify a further round of closures.* (Paragraph 33)

### Government involvement

6. We were disappointed that no UK Government Minister appeared to respond to our questions about the closure programme and that we did not have the opportunity to test the policy that the Government “does not intervene in commercial decisions” with a Minister. Notwithstanding the Government’s position that it does not interfere with commercial decisions, we are disappointed that the UK Government has not sought to make stronger representations to RBS about the impact these closures will have on communities across Scotland. *If RBS does not act on our recommendation to halt the closures we recommend that the Government use any influence that its majority shareholding provides to apply pressure on RBS to reconsider the closure programme.* (Paragraph 41)

### Access to Banking Standard

7. RBS’s Impact Assessments only go part of the way to meeting the requirements of the Access to Banking Standard. They do not provide sufficient information on the situation in relation to individual branches, for example whether customers have access to a suitably reliable broadband connection to allow them to use online banking, the practicality of traveling to the next nearest branch or the effective availability of alternative services such as mobile branches and community bankers. Without this information we do not see how these documents can be said to have properly assessed the impact of the closures on customers, businesses and communities. *The Lending Standards Board’s current interpretation of impact as being “how far the customers are going to have to travel to the nearest branch” is far too limited, and we recommend that it adopt a more comprehensive view of impact in future reviews.* (Paragraph 49)
8. Despite the consultation that RBS has done since announcing the closures, it appears to us that there would have been real benefit in RBS consulting more widely ahead of the decision to close its branches. The Access to Banking Standard requires banks to make an assessment of the impact closures will have on customers when closures are announced, but it is difficult to see how this can be achieved without banks directly consulting customers before closure decisions are taken. As one witness put it: “How can you know if you don’t ask?” (Paragraph 52)
9. *We recommend that the Lending Standards Board consult on amending the Access to Banking Standard to require banks to consult its customers before the final decisions on branch closures are taken and announced. We believe this would be consistent with, and enhance, the current requirements the Standard places on banks to assess the impact of closures on their customers.* (Paragraph 53)

10. RBS's closure programme presents a real challenge for the LSB, as the highest profile closures since it took on responsibility for overseeing the Access to Banking Standard. It needs to be seen as a robust and independent regulator if it is to earn public confidence in the current self-regulatory regime. *We recommend that the LSB reconsider its decision not to publish the result of its work on the RBS closure process and any action plan that is agreed; having an open and transparent review process is essential if the public are to have confidence in the current system of self-regulation.* (Paragraph 59)
11. *We recommend that the Government monitor the effectiveness of LSB as the guardian of the Access to Banking Standard. If the LSB is unable to maintain public confidence in the current regime the Government should consider intervening and consult on introducing a scheme of statutory regulation.* (Paragraph 60)

### **Alternative banking methods**

12. Online banking has changed the way that many people bank, providing an easier and quicker way for customers to perform some everyday banking services. We welcome the efforts that RBS is making to help customers develop the digital skills they need to confidently and safely bank online. However, we are disappointed that RBS does not appear to have analysed the availability of decent quality broadband in the catchment areas of the banks they are planning to close. (Paragraph 66)
13. While we welcome RBS's attempts to mitigate some of the impacts of branch closures through alternative provisions, such as mobile banking vans, we have heard that mobile banking is in no way a replacement for traditional in-branch banking services. There are particular concerns about the availability and quality of mobile banking vans. *RBS must properly engage with the views expressed by affected communities, and further expand its fleet of mobile branches if this is required to meet its customers' needs.* (Paragraph 75)
14. We welcome the introduction of community bankers by RBS, but believe that their current plans will fall far short of meeting customer needs. 21 individuals cannot cover the geographic area previously served by 62 physical branches, especially given their proposed role in providing home visits to vulnerable customers, which will be a resource intensive task. RBS need to radically increase the number of community bankers, otherwise these plans risk looking like a tokenistic attempt to deal with customers concerns. (Paragraph 78)

### **Post Office banking services**

15. While the Post Office is not a replacement for a high street bank, we welcome the fact that the Post Office provides some of the day-to-day services that customers would otherwise do in their local bank branch. *We recommend that the Government, Post Office and Royal Bank of Scotland work together to improve awareness of the bank services offered by the Post Office.* (Paragraph 83)

16. Given the increasing importance of the Post Office as a provider of basic banking services, it is essential the banks and Post Office communicate with each other about their closure decisions, and work together to ensure all communities have a location where it is possible to access face-to-face banking services. *We recommend that the Lending Standard Board review the effectiveness of communication between banks who decide to close branches and the Post Office in a future thematic review of branch closures.* (Paragraph 88)

# Formal minutes

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**Tuesday 22 May 2018**

Members present:

Pete Wishart, in the Chair

Deidre Brock	John Lamont
David Duguid	Paul Masterton
Hugh Gaffney	Tommy Sheppard
Christine Jardine	Ross Thomson
Ged Killen	

Draft Report (*Royal Bank of Scotland branch closures*), proposed by the Chair, bought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 88 read and agreed to.

*Resolved*, That the Report be the Third Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available (Standing Order No. 134).

[Adjourned till Tuesday 5 June at 10.00 a.m.]

# Witnesses

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The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

## Wednesday 17 January 2018

*Question number*

**Emma Cooper**, Chief Executive, Scottish Rural Action; **Lyn Turner**, Regional Officer, Unite; and **Charandeep Singh**, Head of External Relations, Scottish Chambers of Commerce

[Q1–34](#)

**Martin Kearsley**, Banking Director, Post Office; and **Tom Moran**, Network Development Director, Post Office

[Q35–55](#)

**Les Matheson**, Chief Executive, Personal & Business Banking, RBS; and **Jane Howard**, Managing Director, Personal Banking, RBS

[Q56–146](#)

## Tuesday 8 May 2018

**Ross McEwan**, Chief Executive, RBS, **Les Matheson**, Chief Executive, Personal and Business Banking, RBS, and **Jane Howard**, Managing Director, Personal Banking, RBS

[Q147–268](#)

**David Pickering**, Chief Executive, LSB, and **Liz Thompson**, Head of Compliance, LSB

[Q269–317](#)

## Published written evidence

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The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

RBS numbers are generated by the evidence processing system and so may not be complete.

- 1 Avril Taylor ([RBS0010](#))
- 2 Cardtronics ([RBS0021](#))
- 3 Federation of Small Businesses ([RBS0018](#))
- 4 Gordon Campbell ([RBS0023](#))
- 5 Kilbirnie & Glengarnock Community Council ([RBS0002](#))
- 6 Lending Standards Board ([RBS0013](#))
- 7 Mr Leslie Young ([RBS0009](#))
- 8 Mr Martin Sutcliffe ([RBS0008](#))
- 9 Mr William Gunn ([RBS0015](#))
- 10 Mrs Elizabeth Bernard ([RBS0007](#))
- 11 Mrs Elma McMenemy ([RBS0012](#))
- 12 NoteMachine ([RBS0017](#))
- 13 Owl Bookshop Limited ([RBS0003](#))
- 14 Post Office Ltd. ([RBS0025](#))
- 15 Professor Russel Griggs ([RBS0011](#))
- 16 RBS ([RBS0024](#))
- 17 Robert Brown ([RBS0019](#))
- 18 Scottish Rural Action ([RBS0020](#))
- 19 Tim McCormack ([RBS0022](#))
- 20 Unite Scotland ([RBS0014](#))
- 21 Which? ([RBS0016](#))

# List of Reports from the Committee during the current Parliament

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All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

## Session 2017–19

First Report	European Union (Withdrawal) Bill: Implications for devolution	HC 375
Second Report	The future of working practices in Scotland	HC 449 (HC 1067)
First Special Report	Jobcentre Plus closures in Scotland: Government Response to the Committee's Third Report of Session 2016–17	HC 432
Second Special Report	The future of working practices in Scotland: Government Response to the Committee's Second Report	HC 1067