

SHARING IS CARING: BANK BRANCH CLOSURES

Hubs of activity

Since January 2015, 5,632 banks and building societies in the UK have closed their doors for good. *Chartered Banker* examines the impact of this, and whether high-street hubs are a viable alternative to the traditional branch.

Over the past eight years, an average of around 54 banks a month have shut in the UK. In 2021 alone, 736 closed down. By the end of 2023, the NatWest Group will have closed 1,299 branches – the most of any banking group – and in May this year, Barclays announced a fresh wave of closures that will see one in four of its branches shut over the next seven months.

According to Nick Quin, Head of Financial Inclusion, LINK, these closures can be attributed to the fall in the use of cash. “Since 2019, withdrawals on the LINK network have gone down 40%, and that’s after a sustained decline over time. At the end of the day, contactless is really convenient and banking apps work really well – so much so that most of us rarely have to visit a branch any more.”

It’s no surprise, therefore, that branches are pulling down the shutters. Quin says: “They are expensive to run, and they have competition from challengers such as Starling and Monzo – which don’t have the same overheads as traditional banks. But there are still five million people in the UK who use cash every day. In April this year alone, £7bn was taken out of the LINK network. And what we have to remember is that anyone who is comfortable using banking apps and contactless is probably comfortable not using cash at all. If people can easily use an app, if they have a smartphone and if they can afford data – then cash isn’t that important any more.

“But those within that five million are more likely to be deprived, they’re more likely to be elderly and they’re more likely to be vulnerable in some way. And they need an alternative to digital – for a host of different reasons. Maybe they can’t afford a smartphone or they can’t afford data. Or maybe a family member has just died and they are sorting out probate. In situations like these, perhaps they don’t want to speak to someone on the phone or go through endless rounds of emails with somebody faceless. They want to go to someone in a bank and get some advice.”

Barriers to digital banking

Chris Brooks, Head of Policy, Age UK, explains the part that age plays when it comes to digital banking and payments. “The majority of older people will happily use alternatives to cash,” he says. “More than half of over-65s said they were comfortable doing so, but about one-third say they aren’t. About 40% said that they don’t currently bank online.

“Over-80s are much less likely to bank online than say, someone who is 65 to 70. Income and social grades are other strong factors. People in lower-income households are less likely to bank online. And those on lower incomes in the 65-to-69 age group are just as unlikely to use online banking as 85-plus in wealthier households.”

ARE WE SEEING AN UNEXPECTED RETURN OF CASH?

Only 23% of payments in 2019 were made in cash, down from around 60% a decade ago. In 2020, when the pandemic was in its early stages, this figure dropped by 35% compared with 2019, with cash accounting for 17% of all payments.

Since 2017, cash use had been declining by around 15% each year, so 2020 represented an acceleration of this.

In 2021, there was a reduction in the rate of decline in cash use, with cash accounting for 15% of all payments in the UK.

An estimated 73% of consumers said they used cash in January 2022. This is a notable increase from only around half of consumers in mid-2020.

The recovery in cash use can also be seen in ATM withdrawals. These fell sharply at the start of the pandemic: overall withdrawal values decreased by 50%, with even larger falls in city centres and transport hubs.

Since then, consumers have been withdrawing more cash, and overall cash use has been largely stable since around mid-2020, hovering at about 30% below pre-pandemic levels. This suggests that, at least in the near term, cash use has stabilised.

It’s thought that this can be attributed to the cost-of-living crisis and tighter budgets, owing to the fact that some people say they find it easier to monitor spending by using notes and coins, rather than electronic payments.

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Nick Quin,
Head of Financial Inclusion,
LINK

Brooks explains that people who are reliant on cash probably use it in every aspect of their day-to-day lives. “They budget using cash and they pay everybody using cash,” he says. “They will probably pay their energy bills by going to a PayPoint and making an over-the-counter transaction, which is still quite common among older people. All of this shows that there are a lot of people who are highly dependent on cash. Bank branch closures and the decline in the number of ATMs will be having a huge impact on them.”

Is training people to go online an option? Brooks says: “It’s very, very difficult to upskill people from a digital banking point of view – because what they actually need is ongoing support. Initiatives that are one off or short training sessions probably aren’t going to help people get to a point where they can use online banking. First, you have to build people’s confidence and that can be really difficult and takes time. And banking is at the end of the journey for the transition to online. It’s a really high-risk, difficult activity, especially when you compare it with, say, browsing headlines [online] or making a Skype call to your grandchildren.

“With online banking, people are putting themselves at significant risk, and there’s a big fear of being scammed, which very much stops people. We can, to some extent, train people to give them the skills and the confidence to avoid falling for scams and to know what to do to bank online successfully. But that’s not necessarily that easy, and it’s probably quite time consuming and resource intensive.”

An alternative solution

One potential solution to the myriad problems that bank closures present is banking hubs. Quin says: “A banking hub looks like a bank branch and it feels like a bank branch. If you walked into one, you would think you were in a bank branch. There are counters where you can pay in cash, take out cash or carry out other transactions, and there are private rooms where you can receive help and advice from staff about more complex transactions.”

The difference is that these hubs will be used by more than one banking brand. Quin continues: “HSBC might be there on a Monday, Lloyds on a Tuesday and so on. If you look at it from a high-street perspective, it’s actually better than just having one bank that you don’t happen to bank with. Instead, you have a whole range.”

Banking hubs were first piloted in Rochford, Essex, and Cambuslang, a town on the south-eastern outskirts of Glasgow, in 2001 – with locations based on their ageing, cash-reliant

populations. Quin says: “These are still running today. They show that the concept worked and that it could be done. They were really popular with both local businesses and residents.

“There was a great story from Rochford. Basically, the local barbershop was able to stay open an extra hour a day because he didn’t have to go to bank his cash in the next town. That really shows the positive impacts that these hubs can have.”

Banking hubs in numbers

4

To date, there are four banking hubs open in Brixham (Devon), Cambuslang (South Lanarkshire), Cottingham (East Ridings of Yorkshire) and Rochford (Essex), with more in the pipeline.

100

In May, Bramhall in Greater Manchester became the 100th location that met the criteria for shared banking services.

52

Fifty-two of the 100 recommendations so far have been for shared banking hubs. A further 48 recommendations have been made for enhanced deposit services to support local businesses. Cash Access UK, the infrastructure company, is now working to deliver these across the country.

847

LINK took on the role as the co-ordinating body in 2022 and has since analysed the impact of 847 bank branch closures. It has also received more than 600 requests from members of the public.

He concedes, however, that customers won’t necessarily be able to do everything in a hub that they would in a branch, and that what can be done will vary from hub to hub. “There are limitations, especially when you consider the fact that there will be, say, five different banks at the hub over the course of a week. That’s not exactly the same as a secure branch location, is it? But I don’t think this is a huge problem – lots of banks are already good at having these sorts of hybrid services. They might not be able to do 100% of what they could in a branch, but they should be able to do 90% of it – and face to face too.”

Customer considerations

Quin stresses that, ultimately, what hubs enable banks to do is continue to achieve positive consumer outcomes and serve their customers as they move away from cash. “Contrary to what some people may think, banks really do care about looking after their customers. They have a consumer duty, too.

“The concept of a branch for one bank is looking less and less sustainable, but a branch that covers several banks is much more sustainable. And banking hubs are a mechanism for achieving consumer interest.”

Brooks believes that the majority of the population probably wants to be able to access physical banking from time to time. “There are some things that people just want to do in person. If someone has been scammed, for example, lots of people would prefer to go to a branch to talk in person so they can be certain they are speaking to a legitimate staff member. We’ve also heard that people like to start bereavement proceedings in person. These sorts of services are so important and people don’t want them to be conducted online.

“Because of this, we need to find a way to protect face-to-face banking services. And the banks have done really well to come together to develop this shared-hubs model. It’s started slowly, but it has started, which is extremely positive. What we need to see next is an increase in the pace.” **CB**