

DEPARTMENT OF FINANCE

BANKING ROUNDTABLE EVENT ***16 FEBRUARY 2022***

SUMMARY REPORT

BACKGROUND TO BANKING ROUNDTABLE EVENT

1. Regulation of the banking sector in the North of Ireland is a Reserved Matter, where legislative authority rests with the Treasury and regulatory authorities in London. While neither the Department of Finance (DoF) nor the Northern Ireland Assembly have any legislative authority in relation to banking and finance, the Minister of Finance, Conor Murphy MLA, has the lead role in the North on engaging with Treasury and the regulatory authorities as required on banking matters¹.
2. Increasingly in recent months, the impact of the pace of change in the banking sector on local communities, businesses and staff has been raised with the Finance Minister. Whilst the trend has been moving towards greater use of online banking facilities and where these services have benefited the many customers who use them; concerns have been highlighted regarding the closure of branches and the wider societal impacts this has especially on rural areas; the vulnerable; and elderly; and where this has been accelerated somewhat by the COVID-19 pandemic.
3. It is against that background that the Finance Minister hosted a roundtable discussion on 16th February 2022 on *the future of banking in the North*, with a range of stakeholders attending, including representatives from:
 - *The Banking and financial services industry;*
 - *Trade Unions;*
 - *Business bodies; and*
 - *Consumer and community organisations.*
4. A full list of the organisations that attended the banking roundtable event and/or responded with written evidence is included in **Annex A**.

PURPOSE OF THE EVENT

5. The event took the form of a structured discussion chaired by the Finance Minister. This provided the opportunity to bring the full range of stakeholders together collectively to discuss a range of issues in relation to local banking and financial services with the Minister. Specifically, it provided the opportunity:
 - For stakeholders to highlight key issues currently facing the local banking sector, its staff and customers;
 - To gain an understanding from stakeholders of the contribution made by the different sectors in the provision of financial services and to identify where any gaps or weaknesses exist;
 - To identify and understand the main issues that will influence and shape the sector and how services might be provided going forward; and
 - To invite and discuss suggested actions from stakeholders that might improve the provision and availability of financial services locally.

¹ It is also noted that responsibility for Credit Union policy and legislation in the North rests with the Department for Economy.

WRITTEN SUBMISSIONS

6. In advance of the event, DoF sought written submissions from invited stakeholders in response to a series of strategic questions around the future of local banking and access to services:

1. What is your vision for the future of the banking and how the industry might work with other stakeholders to ensure the evolving needs of citizens and the wider economy are met?
2. What are your thoughts on how Government and regulators work with the industry to set the direction for the future of banking to ensure appropriate access to services for customers?
3. What have been the main changes in the local banking sector over recent years regarding access to services, and where have they impacted either positively or negatively in that regard?
4. Are you aware of any gaps in the current regulatory frameworks, legislation or guidance in relation to ensuring access to banking services in the interests of customers, staff, and our local economy more generally?
5. Are the current banking regulations, legislation, and guidance in place keeping up with the pace of change in the sector - what is working well and what could be improved?
6. Regarding access to services, do you consider if there are any local banking matters where the experience in NI differs from Great Britain, both positive and negative?
7. What are your views on how change can be managed in the sector going forward in light of the shift towards digital banking?

OUTPUT FROM DISCUSSION

7. Following the roundtable discussion and the written evidence provided, DoF officials have summarised the key issues highlighted by stakeholders which are included in this report.
8. Whilst a wide range of issues were raised by stakeholders these broadly fall under the two areas of 'ensuring access to cash and services' and 'stakeholder engagement through managing change'. The issues set out are being formally presented to the Treasury and British regulatory authorities for consideration given their legislative authority in relation to banking.
9. The paper is also being shared with the Irish Government to inform their review of the South's retail banking sector given the likely commonality of issues on the island, and the linkages in financial services North and South.
10. A key issue raised by stakeholders at the event was the need for more local engagement on banking matters in a roundtable forum to keep abreast of issues facing the sector. The Department and Minister of Finance have been engaging with key stakeholders individually, and have agreed with the sector to convene a roundtable forum on a more regular basis.
11. The Department and Minister of Finance would like to thank all stakeholders for their written submissions and participation in the roundtable event, and in helping to set out the key issues facing the banking sector in the North.

ISSUES IDENTIFIED BY STAKEHOLDERS

12. This part of the report provides a summary of the *key issues highlighted by stakeholders* at the banking roundtable event for the North, and of those set out in their written submissions. As indicated above, the issues highlighted mainly straddled across the two themes of **Ensuring Access to Cash and Services**; and **Stakeholder Engagement Through Managing Change**.

1) Ensuring Access to Cash and Services

Choice is critical to ensure continued access to cash and services for all

- Whilst recognising the inevitable shift towards digital banking and the desire for many to avail of on-line services, there were concerns that some are or will be left behind.
- Stakeholders highlighted that cash still remains a fundamental part of the North's economy, and digital banking is not suitable for everyone - particularly vulnerable and elderly people, small retailers and those without access to reliable broadband. And where some rely on cash [and its physical nature] as an important budgeting tool.
- Therefore stakeholders emphasised the need to ensure a choice of options for all customers (individual and business) - in particular, to recognise the need to support those that are not digitally enabled, so that they can access cash and services appropriate to their needs.
- Concerns were raised about the pace of bank closures, shift to digital and impact on access to cash / service options, and that despite regulator and others calling for the main retail Banks in the North to pause branch closures during the pandemic, this proceeded in any case. Allied with concerns that the pace of change to digital has been accelerated by the pandemic, and does not account for behaviour reverting back to pre-pandemic banking patterns.
- The 'voluntary nature' of the Access to Banking Standard that high street Banks sign up to was raised as a concern by some stakeholders, and where improvements could be made to banks' commitments on branch closures or changes to available services.
- Business representatives also highlighted the scale and pace of bank closures as problematic, with branches often being important footfall drivers for retail in towns. And where branch closures do occur, ATMs are an important fall back provision – this however not being an exclusively rural issue, as many urban areas also facing local access challenges.
- The success of the Millisle Community Association Community Access to Cash Pilot was highlighted by stakeholders, with a key lesson being the need to work with consumers, SMEs, and wider community on what *they* need – rather than

simply imposing solutions upon them. Solutions should be tailored to local needs.

- Stakeholders were supportive of the Access to Cash Action Group, and the agreement between the major retail banks to share services, to support long-term cash availability, and banking access where services are limited – but recognising that more work is to be done in this regard.
- Stakeholders raised that consideration should be given to a ‘Digital payments review’ to ensure consumers can benefit from digital payments, and that for those who choose to, that any transition is smooth and effective - learning and building on the Access to Cash review/pilots.

Further government and provider support required to facilitate digital inclusion and confidence

- Stakeholders indicated that enhanced government and provider educational initiatives are needed to support digital inclusion and increase confidence in the use of digital banking methods. Particularly regarding scams and fraud – to safeguard consumers, such as the elderly population.
- Along with the potential for further government and industry backed initiatives to ensure that communities and the digitally excluded have access to appropriate technology and hardware to facilitate any further shifts to digital banking.
- It was also highlighted that there is a requirement for further and extended industry backed initiatives to ensure continued access to cash and banking services, including, for example mobile branches, shared services, bank hub model, expansion of cashback without purchase.

Legislation/regulation should appropriately account for the North’s banking needs and demographics

- There was widespread support for the Government’s intention to bring forward legislation to protect access to cash, which could include, for example, powers for Treasury to designate firms on whom legislative and regulatory cash access requirements can be imposed. With stakeholders stressing however that appropriate consideration of the North’s regional banking needs and demographics is required in doing so.
- Stakeholders also noted that it is important to consider that local banks in the North are either fully integrated divisions of, or subsidiaries of larger banking groups with headquarters typically outside the North. This should also be considered where possible in regulatory / legislative banking proposals and industry decision making.

Local banking shifting towards Post Office Network, but more work to be done

- It was clearly highlighted by stakeholders that the Post office network is an important provider of everyday banking needs in the North - with minimum network access criteria set by Government, including in relation to deprived and rural areas.
- However, an issue highlighted was that there is a body of work to be done in ensuring a wider appreciation in the general public and business sector of the banking services that can be accessed through the Post Office network. But also with recognition that if a Post Office is the “*last counter in town*”, this has raised security concerns amongst staff with “*all cash in one place*”. Therefore, a need to improve security arrangements within Post Offices.
- It was also highlighted that the Banking Framework involving major banks and post offices for provision of basic banking services in post offices is a commercial and timebound agreement. And there is no statutory link between banks closing branches and the provision of post office branches. Stakeholders noted therefore, that this does not provide long-term certainty with regards access to cash and services.

Credit Union support required to grow service offering

- Stakeholders indicated that there are legislative, regulatory, financial supports and consideration required to facilitate widening the range of products and services that Credit Unions could potentially offer. Credit Unions had experienced capacity issues (for example in having to introduce savings caps to comply with regulatory rules) resulting from increased demand as people shift to their services from retail banks.
- Stakeholders noted a positive relationship with regulators, however indicated that Treasury has a lack understanding of, and are somewhat removed from, the credit union sector in the North. There was also recognition that given the Department for the Economy has the policy and legislative responsibility for Credit Unions in the North, that they have regular engagement with Treasury on those areas as necessary.

2) Stakeholder Engagement Through Managing Change

More effective Treasury engagement and consideration of needs of the North required

- Stakeholders emphasised that more effective Treasury and regulator engagement is required when taking forward banking legislation and policy impacting the North.
- They also indicated the need for more appropriate consideration of regional needs and landscapes in the development of policy interventions, regulation and legislation for the sector – that considers the banking and population demographic differences of the North, compared to Britain.

Early and open staff engagement relating to change

- Some stakeholders highlighted concerns around the lack of early and continuous communication and engagement with staff impacted by change for example through branch closures or changes in services.
- And the need for appropriate consideration of the increased workload and stress levels, and resultant impacts on the well-being of banking staff who have not lost their job but are expected to maintain services with inadequate staffing levels.

More effective mechanisms for Managing Change needed

- Recognising some provisions in place, there was a call from some stakeholders for more effective structured mechanisms to facilitate regular stakeholder engagement in the management of change in the sector – ensuring engagement and input in key decisions impacting players in sector. And a more collaborative government, regulator and industry approach to developing and implementing change agendas.

Recognition that change is a common theme in the sector and large volume of regulatory initiatives required to support that

- Stakeholders recognised that a significant body of regulation is required to keep abreast of ongoing changes from digitalisation, the rise in cybercrime, green finance, etc. Some stakeholders however highlighted concerns with the sheer volume of regulatory initiatives currently underway and in prospect – and the ability of the sector to respond and implement these.
- Stakeholders recognised how the sector has changed/evolved and that banks needed to be able to adapt to that to remain competitive - with the recent entrance of new digital only banks to the market adding a new dimension.

Annex A – Organisations that attended banking roundtable event and/or responded to the written evidence

- Financial Services Union
- Consumer Council NI
- UK Finance
- Ulster Federation of Credit Unions
- Irish League of Credit Unions
- Post Office
- Federation of Small Businesses
- Retail NI
- Millisle Community Association
- LINK