

BRIEFING FOR MEETING BETWEEN CABINET SECRETARY FOR ECONOMY, JOBS AND FAIR WORK AND MINISTER FOR BUSINESS, INNOVATION & ENERGY

Key Message	Banks provide an important service to personal and business customers and access to face-to-face banking services remains a necessity for many of those customers. Scottish Government stands ready to work with the banks in support of customers and businesses in affected communities.
Who	RBS: [REDACTED] CYBG: [REDACTED] TSB: [REDACTED] Lloyds Banking Group: [REDACTED] SFE: [REDACTED]
What	Discussion on the impact of recently announced branch closures and consideration of how banks and Scottish Government can work together to maintain access to essential services for individual customers, business users and communities affected by closures.
Where	Q1.03 -Parliament
When	6 February 2018 16:00 – 17:00
Officials attending	[REDACTED] Financial Services and SME Finance Policy
Annexes	Annex A Discussion points Annex B RBS Branch Closure Programme – recent activity and engagement Annex C Latest RBS branch closures Annex D [REDACTED] Annex E Letter to Stephen Barclay, Economic Secretary to the Treasury Annex F [REDACTED] Annex G Letter from Mary Alexander, Unite

Background

No agenda or papers have been distributed for this meeting. Following discussion of bank branch closures at the meeting of FiSAB in December, SFE offered to convene a roundtable meeting with banks to discuss what practical measures can be taken to support customers – individuals and businesses – and communities affected by branch closures.

Aim

- To discuss the future of the retail bank branch network in Scotland.
- To explore how banks and Scottish Government can work together to support customers and communities.
- To consider any practical proposals to retain essential services in communities where branch closures have been announced or are expected.

Discussion points

- Welcome banks' willingness to participate in today's discussion. Although media, and political, focus has been on RBS's most recent closure announcements, this is an issue common to all banks.
- Appreciate that the banks are considering how to manage their branch networks as customer behaviours change and levels of online banking increase. However, many customers still want, and need to access services in person.
- Accept that the Post Office network offers an important service – the deposit and withdrawal facilities available through Post Offices.
- Post Office's cannot offer the full range of services offered by a bank, particularly on more complex transactions, where advice or guidance is required, or offer support in opening and closing accounts for example.
- What do banks see as the future for retail branch based banking in Scotland?
- Will the current pace of closures be maintained?
- And is that pace correct? Banks have indicated that closures are in response to changing customer behaviour – yet it seems that many customers disagree, and still see a need for a local branch.
- Where many branches have now been declared to be unsustainable, what level of activity/transactions/footfall is needed for a branch to remain viable in the long term?
- How can banks work together to serve customers? What options are there to share services?
- What are the practical alternatives to a full-time permanent branch presence in a community?

RBS BRANCH CLOSURE PROGRAMME

On Friday 1 December 2017 RBS announced that it will close a further 62 of its Scottish branches by the end of June 2018.

Top Lines:

- The UK Government has legislative and regulatory responsibility for banking and financial services however, the Scottish Government stands ready to work constructively with UK Ministers and the banks to support and reassure customers in light of these planned branch closures.
- The news of further branch closures from RBS will be hugely concerning to many people in Scotland as it now not only affects, potentially, staff at RBS but also leaves large areas of Scotland, particularly rural areas, with limited branch coverage.
- The worst impact will be felt by the most vulnerable members of our society, for many of whom going into a branch is the only feasible way to conduct their banking.
- While recognising that footfall in branches is falling, due to online banking, RBS, and other banks, must take into account the needs of all customers - not just those who can access and use digital services.
- The Scottish Government remains steadfast in our opposition to these planned closures until such time as a guarantee minimum level of service provision for essential banking services is in place.
- Along with my colleagues, I will continue to engage with RBS to ensure that everything possible is being done to mitigate the impact of this decision on communities affected.

See Annex C for list of Closures announced December 2017

SG contact with RBS

Friday 1 December 2017- Minister for Business, Innovation & Energy spoke with senior representatives of RBS to raise concerns regarding latest round of branch closure announcements. RBS outlined range of support available to customers including the upgraded mobile banking fleet, its network of community banking staff and the range of services available to customers via the Post Office network.

Wednesday 13 December 2017- meeting between Mr Wheelhouse and RBS to discuss the closure plans and RBS proposals to support customers. RBS outlined plans around expansion of community banker programme and the mobile banking service as well as plans to support customers in accessing digital services. RBS gave no indication that they would reconsider any of the announced branch closures. RBS supported idea of discussions with all banks on future of branch banking and ways to ensure continued customer access to services.

Tuesday 19 December 2017 – Malcolm Buchanan, RBS attended FiSAB. FM called for open discussions to include: RBS; Lloyds; Clydesdale; and TSB on feasibility of suggested options and to invite additional/alternative proposals from banks. This meeting is scheduled to take place on **6 February 2018**.

SG contact with UK Government

Friday 1 December 2017- Minister for Business, Innovation and Energy wrote to Stephen Barclay MO, Economic Secretary to the Treasury setting out Scottish Government's concerns at RBS's announcement and requesting an urgent call to discuss what action the UK Government would take to preserve access to essential banking services and to mitigate the impact of this announcement on the individual customers, communities and businesses affected.

Monday 4 December 2017- Minister for Business, Innovation and Energy spoke with Stephen Barclay MP. Minister urged UK Government to consider the impact of these closures on communities in Scotland particularly rural communities, and the particular impact on vulnerable customers and small business users.

Minister highlighted concerns over limitations of the existing Post Office banking service in terms of deposit limits; sought assurances on the continued coverage and resilience of the Post Office network; highlighted

members concerns over the coverage of the (free to use) ATM network; and sought assurances on the ability of the bank's mobile branch network to cope with increased activity following the most recent closure announcements.

Mr Barclay maintained that the UK Government is unable to intervene in or influence the operation decisions made by RBS, but agreed to share available data on the ATM network and undertook to investigate Post Office deposit limits on business transactions.

SG contact with Unite

Mr Wheelhouse met with Mary Alexander and Lyn Turner of Unite on **12 December 2017** to discuss the union's concerns following the 1 December announcement.

Unite raised concerns around support for local communities in addition to concerns for workers affected by closures. Unite keen to engage in further discussion on alternatives to closures.

RBS engagement with communities On announcing the closures an RBS spokesman said : *"More and more of our customers are choosing to do their everyday banking online or on mobile. Since 2012 the number of customers using our branches in Scotland has fallen by 44%.*

"Only 1% of our customers in Scotland now use a branch regularly while the number of regular mobile users has increased by 39% since 2015.

"We expect these closures to result in around 158 redundancies. We realise this is difficult news for our colleagues and we are doing everything we can to support those affected. We will ensure compulsory redundancies are kept to an absolute minimum."

RBS state that there is a six month period between announcing a closure and the actual closure itself so that their local staff can work with local customers to resolve issues and answer any questions, a longer timescale than is required by the Access Standard. RBS ensure that their customers are informed of the reasons for the closure and the alternative ways they can bank with them. They write to regular customers, local MP, MSP and media outlets and also advertise the branch closure.

This period is not a consultation programme; it is an engagement period to keep the community informed.

RBS along with other high street banks has signed up to the British Banking Association's standard on branch closures. This is an industry wide agreement between banks, consumer groups and the UK Government to *"work with customers and communities to minimise the impact of branch closures"*

Scottish Affairs Committee

On 17 January 2018, The Scottish Affairs Committee held an evidence session on planned closures to Royal Bank of Scotland branches in Scotland. The session heard from Senior RBS, Executives, Unite , Scottish Rural Action and the Scottish Chamber of Commerce on the likely impact of the closures on local communities and staff, as well as the Post Office on the banking services offered by their network.

Following the session, The Scottish Affairs Committee Chair Pete Wishart MP released a statement describing the evidence given by Royal Bank of Scotland executives as "unsatisfactory" and "disappointing".

Written evidence submitted by Scottish Rural Action concluded:

- The consultation carried out by Scottish Rural Action indicates the significant impact that these and other bank branch closures will have on communities.
- We believe these impacts will disproportionately affect rural communities and disadvantaged and vulnerable members of those communities.
- Concerns about the conduct of RBS over this matter from communities are justifiable and deserve full answers.
- There have been no suitable suggestions for alternatives to a high street bank branch proposed by RBS and this merits further exploration.

- The UK Government and relevant bodies need to consider actions which can prevent the closure of the last bank in a community, or that will fully and properly mitigate the impacts.

Written evidence from the Federation of Small Businesses stated:

“Access to banking is a basic requirement of any functioning economy. For small businesses, many of whom are cash-based, this typically means being able to easily manage cash flow. Despite RBS’s claims to the contrary, over three quarters of small businesses continue to use branches for a wide range of services.

“Further, FSB research conducted with businesses based on Scottish islands highlighted that 81 per cent stated that bank branches were important/very important for their businesses.”

Next Steps

Roundtable: Following meeting of FiSAB in December, SFE agreed to convene a roundtable of Scottish bank representatives to explore practical proposals to support customers – individual and businesses. Roundtable will be held on 6 February 2018 attended by Keith Brown and Paul Wheelhouse for Scottish Government. Industry attendees will include representatives from SFE, RBS, Lloyds Banking Group (Bank of Scotland), Clydesdale Bank and TSB.

Highlands and Islands Enterprise (HIE) research – HIE have informed us that they are commissioning research into the impact of branch closures on rural communities in their region. An outline of the project is set out below. Officials will engage with this project and will update Ministers on research findings when available.

HIE proposal:

On 1st December 2017, the Royal Bank of Scotland (RBS) announced the impending closure of 62 branches across Scotland, resulting in the loss of around 158 jobs. Fourteen of the branches are located in the Highlands and Islands, some in communities already designated as fragile^[1], characterised by declining population; under-representation of young people within the population; lack of economic opportunities; below average income levels; problems with transport, and other issues reflecting their geographic location.

Outer Hebrides	Castlebay*
Argyll and the Islands	Rothesay, Campbeltown and Inveraray
Inner Moray Firth	Aviemore, Grantown-on-Spey, Nairn, Inverness Queensgate (business branch), Beaully and Tain
Lochaber, Skye and Wester Ross	Kyle of Lochalsh* and Mallaig*
Caithness and Sutherland	Tongue* and Wick

*designated as fragile

The Royal Bank of Scotland has stated that closures are being made in accordance with the *Access to Banking Standard*^[2] and have provided information on alternative provision^[3]. However, anecdotal evidence suggests that communities are dissatisfied with proposed arrangements and potential implications for service delivery.

HIE is keen to understand the impact of the impending closures on the communities served, and to explore the opportunities for, and viability of, alternate service provision.

Research Objectives

The successful supplier is expected to address the following objectives:

^[1] <http://www.hie.co.uk/regional-information/economic-reports-and-research/archive/review-of-fragile-areas-and-employment-action-areas-in-the-highlands-and-islands---executive-summary.html>

^[2] <https://www.lendingstandardsboard.org.uk/resources/access-to-banking-standard/>

^[3] <https://personal.rbs.co.uk/personal/ways-to-bank/branch-banking/branch-closures.html>

- Assess regulatory requirements for banking service provision in communities, and consider what a minimum level of service provision might look like, particularly in light of digital delivery of services.
- Provide a short socio-economic summary of each of the communities affected by the impending closures, including an outline of other banking provision accessible locally to each;
- Explore the banking services used by RBS customers in each community (residents, businesses and community groups), and consider the proposed and existing alternatives for ensuring continuity of such services in each of the communities, identifying potential gaps or constraints to service delivery. Within this, consider viability and demand of digital delivery of services versus physical access, including barriers to adoption and use of digital services
- Provide an assessment of the overall impact of the impending bank closures on each of the communities affected, as well as an outline of broader implications for economic and community growth in these areas, and for the Highlands and Islands overall.
- Explore how banking services are accessed/delivered in other rural and island communities (in the Highlands and Islands, rest of the UK or further afield) where banks do not (or no longer) have a presence, identifying lessons to be learned.

Scope of Research

The geographic scope of the study relates to the catchment area of the 14 communities served by the banks earmarked for closure by RBS. The area covered will vary for each, and a common-sense approach will be adopted in defining approximate catchment areas.

The study should segment users by type (individuals, businesses and community/voluntary groups) and consider the implications for each.

The study aims to give an overview of scale and type of impacts, along with potential solutions. As such, data, trends and impacts may be presented at indicative rather than absolute level.

^[1] <http://www.hie.co.uk/regional-information/economic-reports-and-research/archive/review-of-fragile-areas-and-employment-action-areas-in-the-highlands-and-islands---executive-summary.html>

^[1] <https://www.lendingstandardsboard.org.uk/resources/access-to-banking-standard/>

^[1] <https://personal.rbs.co.uk/personal/ways-to-bank/branch-banking/branch-closures.html>

Latest RBS branch closures

RBS Branch	LA Area
Aberdeen Bridge of Don	Aberdeenshire
Aberfeldy	Perth & Kinross
Airdrie	N. Lanarkshire
Alloa	Clackmannanshire
Annan	Dumfries & Galloway
Aviemore	Highland
Banff	Aberdeenshire
Bannockburn	Stirling
Beauly	Highland
Bellshill	N. Lanarkshire
Biggar	S. Lanarkshire
Bonnyrigg	Midlothian
Bridge of Allan	Stirling
Campbeltown	Argyle & Bute
Carnwath	S. Lanarkshire
Castlebay	Comhairle nan Eilean Siar
Comrie	Perth & Kinross
Douglas Lanarkshire	S. Lanarkshire
Dunbar	East Lothian
Dunblane	Stirling
Dundee Stobswell	Dundee
Duns	Scottish Borders
Dyce	Aberdeen
Ellon	Aberdeenshire
Eyemouth	Scottish Borders
Glasgow Business Centre	
Grantown-on-Spey	Highland
Gretna	Dumfries & Galloway
Hamilton Cadzow Street	S. Lanarkshire
Hawick	Scottish Borders
Huntly	Aberdeenshire
Inveraray	Argyle & Bute
Inverness Queensgate	Highland
Jedburgh	Scottish Borders
Kilbirnie	N. Ayrshire
Kilwinning	N. Ayrshire
Kinross	Perth & Kinross
Kyle	S. Ayrshire
Langholm	Dumfries & Galloway
Larkhall	S. Lanarkshire
Lesmahagow	S. Lanarkshire
Linlithgow	West Lothian
Lockerbie	Dumfries & Galloway
Mallaig	Highland
Melrose	Scottish Borders
Montrose	Angus
Nairn	Highland

North Berwick	East Lothian
Penicuik	Midlothian
Perth South Street	Perth & Kinross
Pitlochry	Perth & Kinross
Renfrew	Renfrewshire
Rothsay	Argyle & Bute
Saltcoats	N. Ayrshire
Selkirk	Scottish Borders
Stepps	N. Lanarkshire
Strathaven	S. Lanarkshire
Tain	Highland
Tannochside	N. Lanarkshire
Tongue	Highland
Turriff	Aberdeenshire
Wick	Highland

[REDACTED]

Letter to Stephen Barclay, Economic Secretary to the Treasury

Minister for Business, Innovation and Energy
Paul Wheelhouse MSP



Scottish Government
Riaghaltas na h-Alba
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Stephen Barclay MP
Economic Secretary to the Treasury
HM Treasury
1 Horse Guards Road,
London,
SW1A 2HQ

1 December 2017

Dear Stephen,

I am deeply concerned at the Royal Bank of Scotland's announcement that they are to make further deep and damaging cuts to their branch network in Scotland. I am sure that you will also have concern at the rate of branch closures at RBS, and Nat West. Scotland is proud of its banking heritage and has done much to build the industry globally and RBS has grown due to its ability to rely upon a loyal customer base here, through good times and bad.

Today's announcement of a further 62 branch closures, coming as they do after previous tranches of branch closures affecting rural and urban Scotland, will leave many communities without ready access to essential day-to-day banking services and is a genuine body blow to our high streets. 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 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.

While we appreciate that many customers are choosing to access services digitally, and there clearly has been rapid growth of online banking at RBS in particular, there are many customers for whom this is neither a practical option, nor an option they are comfortable with, perhaps where they may be more fearful of online fraud. For these customers there is an imperative to meet their requirement for access to physical face-to-face banking services.

I am therefore writing to you, in advance of a proposed discussion, to ask: what will the UK Government do to halt or reverse the continuing trend of branch closures; to preserve access to essential banking services; and to mitigate the impact of this announcement on the individual customers, communities and businesses affected?

I call on the UK Government to establish and enforce a guaranteed minimum level of service provision for essential banking services, recognising the importance of continued access to banking for communities across Scotland, and across the UK.

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



In doing so, I recognise the increasing partnership working between the retail banks and Post Office Limited, to ensure provision of basic banking services is retained in local communities, albeit, even where this is feasible, this does still result in a significantly reduced range of services that can be undertaken on a face to face basis and the continued availability of post office branches is vulnerable to sustainability and succession issues in many cases.

Similar issues arise in respect of availability of ATMs, as this key service may be vulnerable where the last branch in town is being lost or where the closure of the RBS branch leaves the community vulnerable to the loss of any third party remaining ATM provision subsequently. This is obviously a key issue for tourism and hospitality businesses as well as local retail outlets that do not yet have cashless payment technology or for whom the cost of installing such technology is a challenge. I would urge you to consider a strategic dialogue with banks and ATM stakeholders, such as LINK, and wider stakeholders to ensure that a robust network of ATMs is retained in all communities affected in Scotland and across the UK.

Crucially, as the UK Government maintains a majority shareholding in Royal Bank of Scotland, and also retain all legislative and regulatory powers in respect of financial services, I seek your support in asking the Royal Bank, and other banks that may well yet announce further programmes of closures, to call a halt to this potentially damaging programme of closures, while banks, their stakeholders and both Governments consider how best to take account of its obligation to its customers to provide a banking service that meets their needs.

The UK Government, as the bank's majority shareholder, in our view, should use its influence through not agreeing to any closures in locations where no face-to-face alternatives are in place, and should require the Royal Bank of Scotland to ensure that practical and sustainable alternative banking services are put in place before any closures are signed off. While I recognise the financial imperative to ensure the flotation of the Government's shares in RBS, the pace of this should be appropriate and, indeed, customer loyalty should not be abused in any consequential cost reductions to ensure fitness for re-flotation.

I am concerned that insufficient resource is being allocated to invest in mobile banking services to ensure adequate geographic coverage can be delivered following branch closures, but I would hope this could be resolved in time to put in place the required provision to meet customers' needs before any closures take effect.

I understand that our request for a call has been met positively, which I welcome, and this is in the process of being arranged for Monday, but given the cumulative loss of branches within RBS, I would request a meeting with you and with senior staff at the Royal Bank of Scotland to discuss in detail what can be done to support the staff and customers affected by this, and other recent announcements, and to ensure that essential banking services continue to be available to those who need them.

Kind regards



Paul Wheelhouse

[REDACTED]

Letter from Mary Alexander, Unite

22 York Place
Edinburgh
EH1 3EP

Regional Secretary
Pat Rafferty

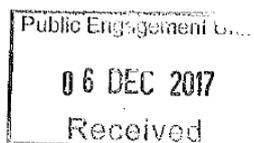
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REGION SCOTLAND

MA/GG

4 December 2017



Paul Wheelhouse MSP
Minister for Business Innovation and Energy
The Scottish Government,
St Andrews House
Regent Road
Edinburgh
EH1 3DG

Dear Mr Wheelhouse

Re: RBS branch closures announced 1 December 2017

I am writing to you on behalf of Unite Scotland. We have been in negotiations with RBS / NatWest regarding their proposed branch closures. These meetings have embraced the branch closures across the UK and our Regional Officer, Lyn Turner, has specifically been involved with the Scottish element of the closures.

RBS presented its Business Plan to Unite Officers and Representatives on 1 November and we had our first consultation directly with the Company on 8th November. Unite's view of this consultation is that the Bank Officers sought to inform us simply about the closures about which they were not prepared to consider any negotiation.

We note that you were quoted in BBC reports today as saying that the closures were "seriously concerning" and would leave "large areas of Scotland with limited coverage". We too are extremely concerned about the RBS proposals and the serious effects that they will have for communities across Scotland, RBS customers and staff. In this regard Unite Scotland is seeking a meeting with you, at your earliest convenience, to consider what the Scottish government is going to do to convince RBS to change course to avert the social catastrophe that is likely to follow the implementation of these current plans.

In this context it may be useful to share some of our observations on the proposals being promoted. We have included the list of the 62 closures in the Appendix enclosed with this letter which gives full details. However to give you an idea of the scope of the closures Unite has produced a shorter area summary. This includes examples of some of the closures area by area thus:

- The Highlands at Tongue, Tain, Wick, Aviemore, Mallaig and Pitlochry;
- The Southern Highlands at Bannockburn, Bridge of Allan, Dunblane, Kinross
- The North East at Banff, Dyce, Huntly, Nairn and Montrose;

Len McCluskey
General Secretary

www.unitetheunion.org

- The East Coast at Dunbar, Duns, Eyemouth and North Berwick;
- The Central Belt at Airdrie, Bellshill, Larkhall, Douglas, Lesmahagow and Biggar;
- The West Coast at Campbeltown, Rothesay, Kilbirnie, and Kilwinning;
- The Borders at Hawick, Jedburgh, Melrose and Selkirk;
- The towns and cities at Aberdeen Bridge of Don, Inverness Queensgate, Dundee Stobswell, Perth South Street, and Glasgow Business Centre;

In this context Biggar is fairly typical of the difficulties that will ensue from closure. Biggar is a prosperous market town in south Lanarkshire. The RBS branch is the 'last bank in town'. Its closure breaks promises given by RBS some time ago that it would not undertake closures in such circumstances. The nearest alternative branch is in Carnwath 7.5 miles away. However it too is earmarked for closure, leaving the Lanark RBS as the nearest - 12 miles from Biggar.

RBS have suggested that digital banking is the answer to most people's banking needs. What happens in places like Biggar, the Borders or indeed the Highlands which are all notorious for poor wi-fi reception? What happens if you are elderly or infirm and cannot make the journey or, indeed, if you are poor don't own a car and are dependent on a bank visit to cash welfare benefits? Those issues concerning access to cash withdrawal are matched by small business problems with deposits. What do the butcher, the baker and the candlestick maker do with their takings at the end of the business week - put them under the bed until the RBS mobile van arrives whenever that is? ATMs iPads and smart phones do not take cash deposits.

Unite Scotland does not accept the figure given by RBS that only 1% of customers use branch visits to make money transfers. Early in 2017, the Global Consultants, Accenture, conducted a considerable international survey on bank use which included consulting more than 3000 bank customers in the UK. Their results showed that bank usage is actually at its highest level since 2010. It found that more than half of bank customers - 53% - regularly access branch bank services compared to 47% seven years ago. That change is statistically significant.

Our own anecdotal evidence from our members supports these findings - indeed the 500 branch closure programme already completed in Scotland by RBS guarantees that most standing branches are extremely busy. So the plans are not actually about inefficient, under-used services for the most part. They are about money, and making more of it for RBS shareholders.

It seems pertinent in this regard to consider if a bank which has been bailed out to the tune of £45bn by the taxpayer and is, as a result, 71% owned by the taxpayer doesn't have some sort of social and community obligation to continue to provide vital bank services in areas which desperately need them. The Directors and Executives of RBS are obligated to consult with local communities about local branch closures. Whether this has actually been done across Scotland, seems at this stage to be at least open to serious question. The public outrage which is developing in local communities as the closure programme comes to light seems to attest to that.

We hope that the points made here illustrate our concerns about the RBS effectively. We look forward to hearing from you regarding the possibility of an early meeting so that we might discuss alternative proposals to those of RBS.

Yours sincerely,

A handwritten signature in cursive script that reads "Mary Alexander". The signature is written in black ink and is centered below the "Yours sincerely," text.

Mary Alexander
Deputy Regional Secretary