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Finance Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Friday, 21 June 2019

For the attention of the Committee Clerk,

RE: Response from Bangor Business School, Bangor University to the National Assembly of Wales consultation on Access to Banking

We are delighted to have the opportunity to respond to your consultation on Access to Banking in Wales. The issue of access to banking is of crucial importance and not having access to, and not making use of, banking services continues to carry financial and social costs for households.

This written evidence is submitted by Bangor Business School, Bangor University.

1. Bangor Business School, Bangor University

- 1.1 Bangor Business School is a name synonymous with research excellence, particularly in the area of Banking and Financial Services, in which Bangor is a leading European centre. In recent years, staff have conducted high level consultancy work including major policy studies for many leading organisations such as the European Commission, the World Bank, the Financial Conduct Authority and the UK Treasury. Staff regularly publish high quality research papers and articles in leading journals, and books, to a worldwide audience. Bangor University has proudly considered banking and finance in its curriculum since 1902.
- 1.2 Professor John Ashton, Dr Edward Jones and Professor Jon Williams have published academic work on bank branching in the UK, development banking in its wider context, and also competition within and regulation of, multiple retail banking markets in the UK.

They have also made numerous contributions to on-going policy work by the Financial Conduct Authority and Competition and Markets Authority on issues of UK retail banking regulation and allied fields, and provided support and input for past work on Welsh retail banking undertaken by the Welsh Language Commissioner.

2. Retail Banking in Wales

- 2.1 The bank branch is a crucial material, symbolic and political expression of the connection between financial institutions and their customers, and as such its geography matters.
- 2.2 Bank branches provide a wide range of important services to local communities and businesses; giving access to basic banking services for money transactions, providing credit and long term savings and in improving financial literacy. Small businesses in particular depend on local retail bank branches for both banking facilities and the passing trade received from banking customers. In this role the bank branch provides an invaluable conduit into the monetary economy for a significant population of the Welsh population.
- 2.3 Previous research by Bangor Business School for the Welsh Language Commissioner (2015) found that between 1999 and 2015, the top-four British banks have closed 261 branches in Wales. This equates to a decline of 39% in the number of Welsh branches over 17 years. The average (mean) decline in county-level bank branch decline between 1999 and 2015 was 38% in Wales, 34% in England, and 32% in Scotland.

3. Shift in the Distribution of Banking Services

- 3.1 The use of bank branches has declined in recent years across the in Wales. This is part of wider medium term shift in the distribution of banking services through a range of different mediums from telephones, the internet and increasingly mobile phone networks. Many of these changes in the distribution of banking services are inevitable given technology developments and changing demographics.
- 3.2 This change also comes at a time in how people use and engage with banking services is changing. The last two decades have witnessed a huge increase in the take up of personal current accounts and distribution and use of Point of Sale (PoS) machines and ability to spend using banks cards and credit cards and indeed a lower use of cash generally.
- 3.3 Because of this, access to banking services in Wales incorporates financial inclusion and the accessibility of digital/technology modes of distribution, through both the mediums of English and Welsh.

4. Automated Teller Machines (ATMs)

- 4.1 In addition to branch closures, access to free ATMs affects local communities. For instance; the impacts from a business, tourism, social, demographic and regeneration perspective.
- 4.2 The economics of operating the ATM networks has also been an area of recent discussion, particularly with regard to fees. As ATMs are operated by the banks and also other organisations within the link system charges for using ATM machines have varied over time.
- 4.3 The potential for identifying ATMs operating in areas of particular need and negotiation with ATM providers to ensure continued free or low cost provision need exploring.

5. Financial Literacy

- 5.1 There are also concerns in the financial advice gaps and low levels of financial literacy across Wales.
- 5.2 Financial literacy and consumer confidence in switching banking provider across Europe is seen to be lower in rural, more deprived and less educated regions.

6. Competitive Banking Market

- 6.1 Access to the use of secure competing facilities in public places is important to ensure persons are not excluded from access to retail banking services whatever their ability and economic background.
- 6.2 Bangor Business School would welcome a competitive banking market in Wales and has previously made policy contributions to ensure this is achieved. This includes the School's involvement in the Cruickshank report (Cruickshank 2000) and Professor Ashton's membership of the CMA academic panel and contributions to reports on price discrimination and the loyalty penalty in cash savings markets (e.g. Burnik and Majer 2018). It is acknowledge that such competition has resulted in an increasing focus on cost management by banks and which has driven a swift dissemination of new lower cost modes of distribution for banking services. As bank branches are seen as a high cost model of delivering banking services their rationalisation has accelerated in Wales, the UK and to a lesser extent in other European states.

7. Financial Inclusion

7.1 It is critical to ensure that all parts of Welsh society have access to banking services, be this through branches or other modes of distribution. Of particular concern is this provision are elderly consumers, the less financial advantaged and Welsh speaking communities. Bangor Business School has contributed to past work by the Welsh Language commissioner outlining the importance that all banking services however delivered are provided in a bi-lingual format (Welsh Language Commissioner 2015). There are also significant concerns that bank branches in less prosperous areas are the least profitable for banks and most likely to be rationalised. This may leave gaps in the ability of many less financial advantaged customers to access to access banking services.

8. References

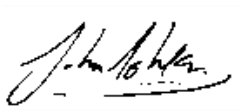
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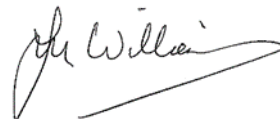
Welsh Language Commissioner (2015). *Statutory review of the Welsh language services of high street banks in Wales*, Cardiff.

If you have any queries, require any further information or would like to discuss any of the above points in more detail, please contact Dr Edward Jones (e-mail: e.t.jones@bangor.ac.uk).

Yours faithfully,



Professor John Ashton



Professor Jon Williams



Dr Edward Jones