



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy, Jobs and Fair Work Committee

Tuesday 24 April 2018

Session 5



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ECONOMY, JOBS AND FAIR WORK COMMITTEE
14th Meeting 2018, Session 5

CONVENER

*Gordon Lindhurst (Lothian) (Con)

DEPUTY CONVENER

*John Mason (Glasgow Shettleston) (SNP)

COMMITTEE MEMBERS

*Jackie Baillie (Dumbarton) (Lab)
*Colin Beattie (Midlothian North and Musselburgh) (SNP)
Kezia Dugdale (Lothian) (Lab)
*Jamie Halcro Johnston (Highlands and Islands) (Con)
*Dean Lockhart (Mid Scotland and Fife) (Con)
*Gordon MacDonald (Edinburgh Pentlands) (SNP)
Fulton MacGregor (Coatbridge and Chryston) (SNP)
*Gillian Martin (Aberdeenshire East) (SNP)
*Andy Wightman (Lothian) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Ferhan Ashiq
Pete Cheema (Scottish Grocers Federation)
Tim McCormack
Barry McCulloch (FSB Scotland)
Phil Prentice (Scotland's Towns Partnership)

CLERK TO THE COMMITTEE

Alison Walker

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Economy, Jobs and Fair Work Committee

Tuesday 24 April 2018

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Gordon Lindhurst): Good morning, and welcome to the 14th meeting in 2018 of the Economy, Jobs and Fair Work Committee. I ask everyone in the gallery to turn off electrical devices so that they do not interfere with proceedings. I have received apologies from Fulton MacGregor, who is a member of the committee.

Agenda item 1 is to decide whether to take agenda items 3 and 4 in private. Is that agreed?

Members *indicated agreement.*

Impact of Bank Closures

09:30

The Convener: Today, we will commence taking evidence on the impact of bank closures. We have with us five witnesses, whom I welcome. Pete Cheema is chief executive of the Scottish Grocers Federation; Tim McCormack and Ferhan Ashiq are shopkeepers whose businesses we will, no doubt, hear about in the evidence session; Barry McCulloch is senior policy adviser at FSB Scotland; and Phil Prentice is chief officer at Scotland's Towns Partnership.

In the interests of transparency, I should mention that Gordon MacDonald, who is a member of the committee, is the convener of the cross-party group in the Scottish Parliament on independent convenience stores, and John Mason and I are members of that cross-party group.

I will start with a general question to the panellists—in particular, our two shopkeeper guests. Have your businesses or other businesses in the communities in which you operate been affected by bank closures? If so, how?

I should say to the other panellists that, if you want to come into the discussion, please indicate that by raising your hand; I will try to bring you in at that point. Do not feel that you have to answer all the questions. The person on the sound desk will operate the microphone system, so you do not need to press any buttons.

Tim McCormack: I have been involved in two bank closures. Over the past few years, I have had two businesses, one of which was a post office in Duns. A Bank of Scotland branch was only a few doors away from that business, and it was decided that it would close on Tuesdays and Thursdays. I had the opportunity to see the effect of that on retail business, as I also sold cards and stationery. The effect on business on days when the bank was closed was remarkable: retail takings went down considerably on those days, by up to 50 per cent.

I managed to get out of the post office business and moved to Coldstream, which is only 10 miles from Duns, and where I bought a little newsagent only a few doors down from a Bank of Scotland branch. Last August, it was decided that that branch would close completely. Overnight, sales went down by 20 per cent, and not just because of the closure of the branch: removal of the external automated teller machine was also significant for me, for the pub opposite and for the other businesses near me. The closure had a tremendous impact. The two girls who worked for me had to go, although they managed to find other jobs. I will end up working 60 hours a week just to

keep the business going and to pay off the loan that I rather stupidly took out. That bank closure has had a significant impact on me.

Ferhan Ashiq: I want to look at things a little more holistically. Bank closures are one thing, but the potential new ATM charges, which we will discuss further down the line, and potential post office closures will also have a negative effect.

In Prestonpans—my town—the branch of the Royal Bank of Scotland, which was the only bank, shut down about a year and a half ago. There was no consultation and we found out that it would be closing only a few weeks before it shut. The banks gave us some support in respect of how we could mitigate our travelling to branches further afield. However, in my case, the transition turned out to be much more painful. It took me about three months to overcome that first barrier, because it so happened that my relationship manager at the time went on long-term terminal sick leave, and the replacements did not have a clue about how to circumvent the problems.

My biggest problem related to change giving. My business uses a lot of change every week: I need change to run my business effectively and to stop it coming to a crashing standstill. I had to travel to Musselburgh, which involved sitting in a 20-minute traffic jam—I do not know whether you guys have ever been to Musselburgh, but the High Street is horrendous for traffic—and waiting in the bank in a queue that was horrendously long because everybody now has to go to the bank in Musselburgh. The other place that I could go to is Tranent. Getting to Tranent is quite easy, but parking there is a massive problem. When I was doing that, I would take pictures of the queues and constantly tweet RBS to tell them what a nightmare they were putting me through.

Over three to six months, I mitigated the issue by using the post office as a way to get change. However, the problem with that is that you only have one designated post office—that is your post office branch. In coming to this committee meeting, if I had needed change, I would have had to go to that post office branch to use my card to get change. Previously, I could have gone into any branch of RBS. That is a service that I have lost.

The same issue applies to depositing money. I run a cash-rich business. The Federation of Small Businesses and the Scottish Grocers Federation have produced reports that show that cash is used for about 75 per cent of transactions. For convenience stores, the figure is as high as 85 per cent. I have statistics here that show that only 15 per cent of the transactions in my business are done by card.

Because this was happening—and because I have a second store, in Levenhall—I installed a

self-filling ATM, which means that I do not have to go to a bank branch to deposit my cash. Given what Link Scheme Ltd said at the start of the year, I understand that that provision will be under threat soon. If I lose that ATM, it will be devastating to my business, and I do not know how I will overcome that.

I am sorry. I went a little bit further than I meant to.

The Convener: No—that was helpful. Thank you. If you have further information that you want to give us, you can submit it in writing—you might not want to give us the accounts that you referred to, of course. That goes for the other witnesses, too.

Pete Cheema (Scottish Grocers Federation): As Ferhan Ashiq has said, the current situation is having an absolutely devastating effect on local businesses. In most cases, they are having to travel for about an hour back and forth, which involves significant security issues, insurance issues and extra man-hours, because someone has to be employed to cover the business when the owner is away at the bank. That is a huge problem at a time when businesses are having to cope with cumulative cost pressures such as auto-enrolment and the extra pressures that the Government has placed on businesses, including the living wage and extra rates. There are further issues around travel costs and car-parking fees. The fact that people are having to carry change from a high street location back to their store is another issue. The situation is taking away the fundamental right of a business to do banking.

Ferhan Ashiq is absolutely right about transactions. Our survey shows that 76 per cent of transactions in retail stores are in cash. In London, the figure is down at 55 per cent, but we are talking about Scotland. In some rural locations, more than 80 per cent of transactions are in cash.

On the fundamental point on closures, banks have not looked at the commercial banking aspect, but only at the overall position, in which personal banking is definitely on a decline. However, commercial banking is still going on at the same rate. Banks have not done full analyses, which is where they have failed.

Barry McCulloch (FSB Scotland): Given that this is the committee's first session on bank closures, it is right that members understand the scale of closures in Scotland in the past few years. Since 2013, there have been a host of closures. In 2013, more than 1,100 bank branches were operating in Scotland. According to FSB Scotland's research, that figure is set to drop to fewer than 800 by the end of this year. I have said that those are our figures, because no official up-to-date figures have become available since the

Competition and Markets Authority published its report in 2015. In part, we are staring into the dark.

Closures mean in practice that first, a number of towns including Gourrock, Prestonpans, Lochgelly and Kilmacolm have no bank, and the number of such towns is growing. As other witnesses have said, that has a range of business impacts; I will talk about one or two. The impact on cash flow is significant. Cash is still the most popular payment method for consumers, so business owners need to be able to deposit cash safely and securely. If they cannot, that hits their cash flow.

Secondly, bank closures lead to a range of additional costs and they hit productivity. Time that is spent travelling to distant branches from a remote and rural community is time that is taken away from the business. For someone like Ferhan Ashiq in Prestonpans, that could be up to four hours per month. We have members in the Highlands who have to cover 12 hours per month. That is a significant opportunity cost that business owners would rather not have to deal with.

Lastly, the replacements—online banking, mobile banking units or post office access—are poor substitutes; they are no substitute for a functioning and fully capable bank branch. Our members frequently report problems with the substitutes that have been put in place.

Phil Prentice (Scotland's Towns Partnership): I want to come at this from a slightly different angle. Most of the witnesses will be either on our board or in our membership. Scotland's Towns Partnership was created by the Scottish Government to take forward new approaches to repurposing high streets. We represent a very broad church.

We have come belatedly to the bank closure issue, so we have yet to collect the opinions of all our members, but we will send it to the committee in due course. By and large, however, we are not against branch closures. Looking at how society is moving on and how we transact, the bank is no longer seen as an attractive footfall generator in the heart of town centres.

There are two caveats to that. We can see why branches have to shut; it is not possible to argue against the fact that less than 1 per cent of banking customers regularly use a branch. No business model can stack up against that. The two closure preconditions have to be interrogated much more thoroughly, however, as other witnesses have pointed out. The first is that there has to be some form of "last branch in town", whether that is a solution across multiple brands or it is one of the disrupters, such as the Unity Trust Bank, that have come to the fore.

I have a conversation with RBS, the Co-operative Bank and Unity Trust Bank on how we

could build in resilience. For example, in a lot of rural and remote communities, there is already a Co-op shop. Could a Co-operative Bank branch be integrated into the convenience store to make sure that there is some form of local bank? We have to understand that we are moving towards becoming a cashless society, with many more transactions being contactless payments and so on.

The second condition is where some of the anecdote and emotion comes in. Banks traditionally have a big footprint on the high street; RBS, in particular, is usually in the most characterful and dominant building in the heart of a town. Whenever they decant, that quickly leaves a sense of decline and despair, because very often no use for the building is promoted. The issue is more about the toxic legacy of bank branches when, after three or four years, people come into a high street and see a big RBS sign on a dominant building that is now vandalised and for which someone is paying empty rates. There has to be thinking about the last branch in town and what to do with the banking estate. There are many opportunities for things such as community enterprises, start-ups, restaurants and childcare provision. The banks should have to be more proactive: they should not be able to just walk away.

09:45

The Convener: On that last point, witnesses have commented that cash tends to be used in retail. If bank branches are being closed and people with small businesses or small shops in town centres have to travel quite far to bank cash, does that put them at a disadvantage, compared with much larger operators and businesses? If the way things are set up is simply to the advantage of large retailers, what can be done to ensure that town centres do not end up with a lot of closed shops?

Phil Prentice: A lot of this is smoke and mirrors and a lot of it is emotional. That is probably down to the fact that over in a very short space of time, people are seeing lots of branches closing very quickly. Collectively, we have let that run away to an extent, and I think that there is still a need for some form of "last branch in town" provision.

However, my local town is Gourrock, which functions very well—in fact, it is the most highly independent niche-retail town in Scotland—which sort of counters the convener's argument. Those guys can function because there is an ATM. Although the bigger bank branches have been shut down, some of the buildings have been repopulated with craft food and high-quality niche-retail shops, so that has actually created a space in the town for new investment. The ATM provision allows businesses to bank their cash—they can

deposit cheques and cash through it—so there is a solution still left in the town.

I genuinely think that we need to explore the issue in much more depth because, at the moment, the banks are almost waiting for a good day to release bad news and then just to sneak away quietly. We need to get the banks in the room and say that such moves have to be based on the demographic and the make-up of the small and medium-sized enterprise population and the ageing population. However, digging deeper into that, I can say that my mother is 80 and lives in a very remote Irish town, and I do all her banking for her online, so she never needs to go to a branch.

Therefore, although we need to come up with some form of interim solution and although collectively the banks should be put in a position to deliver that in a way that meets the needs of people like the other panel members, in the long term we should be more concerned about the estate, the future of the high street and what can be done to repurpose and reinvent those properties. There are two conversations to be had. As I said, however, the other panel members are stuck in the middle just now, and it is difficult for them.

Tim McCormack: There is actually a cut-off, because the larger organisations and shops have their own cash-in-transit or security pick-ups. It is the smaller shops such as ours, which deal primarily in cash, that require to deposit it. I now use the post office, which is quite handy, but even those are closing and moving somewhere else. However, I would not put a cheque near a post office, because they lose them, so I would have to travel by bus to deposit my customers' cheques. One net effect of my local bank closing is that I will stop taking cheques in my business, which is upsetting for the older generation, who use them.

Pete Cheema: I agree with Phil Prentice on some points, but if we are trying to encourage retail to move into high streets, there has to be a solution. The majority of money that is taken over the counter is still cash: we cannot get away from that, and it has to be banked somewhere. On the alternative of ATMs that take cash deposits, it is only internal ATMs that do that. The external ATMs that are provided by all the big players—RBS, Bank of Scotland, Santander, Cashzone, YourCash, Hanco or whatever—do not have a facility to deposit shop cash. The interchange charges that are being reduced from 25p to 20p will mean that in the future—it is already happening in some places—retailers will be told that they either have to charge for the ATMs or their commission rates will be taken away. The problem has been exacerbated because, for example, banks charge for depositing cash.

In the past, we predominantly had fixed charges; we could pay about £100 or £150 a month. However, the average turnover of a convenience store at the moment is somewhere around the £14,500 mark. Taking into account National Lottery tickets, PayPoint and everything else, that figure goes to around £22,000. By the time money is banked, it will have cost such stores £143 a week, which is nearly £7,500 a year. As well as closing branches, banks are making branches go on to the maximum fixed charges, which are roughly between 65p and 67p per £100.

The Convener: I want to move on. Jamie Halcro Johnston has follow-up questions and Gillian Martin has further questions. Witnesses will have the chance to come back in and might wish to pick up on one or two previous points in their answers.

Jamie Halcro Johnston (Highlands and Islands) (Con): My questions are on the points that have been made; Pete Cheema has answered some of the questions that I was going to ask. All of you will hold business accounts with a bank. Are your business accounts held with a local branch or a more centralised branch?

Ferhan Ashiq: My local branch has been moved to Tranent, which is where my account is held. Tranent is also the local branch for residents of Longniddry and Port Seton. That is an issue because, in the past, residents of Longniddry or Port Seton could travel on a direct public bus to Prestonpans but, now, the local branch is in Tranent, so those residents have to go to Prestonpans, get off the bus and get on another bus to Tranent. It costs £1.70 one way to get to Prestonpans, £1.70 to get to Tranent and then they need to get back. It will cost nearly £5 just for those residents to get access to their cash, which will disadvantage a lot of people. I am lucky in that I have a car, so that does not affect me personally, but it affects a lot of people.

Jamie Halcro Johnston: My question was more about how the bank looked at the individual branches. Did the bank think, "There are a number of business customers in this branch, and a number in that branch", or was it all centralised?

Ferhan Ashiq: We were not told how the bank made its decision; we were just told where our new branch was. The only question that we were asked was whether we wanted to keep our Prestonpans sort code or whether we wanted to change it to a Tranent sort code.

Jamie Halcro Johnston: Was there any discussion or consultation with the branch? Did the bank say that it was thinking of closing the branch and that people might need to travel elsewhere?

Ferhan Ashiq: The honest answer is yes and no. Initially, there was no consultation but, eventually, Iain Gray MSP kicked up a fuss in the community. The bank offered Iain a meeting less than a week before the branch was going to close, so what that meeting was going to achieve was negligible.

Jamie Halcro Johnston: I know that Pete Cheema mentioned that there are already large charges, but did any of those discussions involve whether people would be willing to pay a slightly increased charge to make that local branch more sustainable?

Ferhan Ashiq: No, we were not given that option.

Gillian Martin (Aberdeenshire East) (SNP): In the interest of declaring everything, as others have done, I should mention that I am the deputy convener of the cross-party group on towns and town centres.

I will follow up on some of the things about town centres that Phil Prentice has talked about. You have already alluded to what you think could happen broadly to the vacated premises of banks. What is the impact on a town centre of having a large building—you mentioned the Royal Bank of Scotland—vacant for a long time?

Phil Prentice: The impact is more to do with perception than economic problems, albeit we want to see as much property as possible work hard for the town centre. As long as there is short-term churn, there will be vacancies and voids as things chop and change. However, if you walk into the town and see a large branch building being allowed to lie fallow, when 20 years ago it used to be the hub of a lot of commercial activity, that is a psychological blow to the town. There must be an obligation on banks to engage with local community planning partners and the local community. Given the changes that are coming in around compulsory sale orders, local authorities will be able to come in and agitate for improvement.

We have a lot of issues around housing and we want to repopulate town centres, so why are we not transforming some of those vacant buildings into accommodation and places where people can live? We also need to consider how high streets can think beyond retail. Although we are very supportive of all the retailers that we work with—big and small—it is important to recognise that the future of the high street will not be a retail-only solution, but be much more comprehensive. The Scottish Government has the right approach in taking a wide and collaborative view on how town centres can be repurposed around housing, digital, public services, the town centre first principle and so on.

It is not nice to see bank branches lying empty. In vibrant cities, such branches tend to be sold off in a commercial deal very quickly and we soon see a pub, gym or something like that moving in. However, the situation is different out in the peripheral, secondary towns, where there is a sub-prime property market and there is dysfunction and a lack of confidence in it. That is where the banks need to show some sort of social conscience, step up to the plate and be honest enough to say that they have probably written their capital value down as part of the financial crash, so that money from the branch is just a windfall. In that case, the banks can do their societal duty and do something to meet the needs of the local population, such as providing somewhere to bring older and younger generations together, co-working environments, business centres, incubators or hatcheries for start-ups. There is whole range of uses to which a bank could lend itself and then we would see the footfall coming back to the town centre.

I ask you to put your hands up if you can remember the last time that you physically walked into a branch. I was talking about it on the radio this morning. I went into a branch once in the last year, because it was a large transaction that I could not do online. As a population, we are deciding that we want to transact our banking business digitally.

Gillian Martin: You mentioned the reputation of the banks. Banks that are sitting with estate that remains empty for long periods could do a lot for a community and could avoid the burden of maintaining that property if they gifted it to the community.

Phil Prentice: There are conversations under way, very quietly and behind the scenes. In the wider context, RBS in particular has been having a difficult time at Westminster around its treatment of small to medium enterprises, and for banks, the biggest issue is not that they have to pay punitive rates on an empty property, insurance, maintenance or to address vandalism, but the fact that, three or four years down the line there is just a big sign, which is a toxic legacy. That damages the banks' brands and that is something that they are aware of. How much better would it be if that RBS sign were to be put inside the building, which had become a childcare facility? Then everyone in that community would think that the bank had given something back after all. We are having those conversations, but it is a very delicate time for RBS just now. At least the banks—including the Co-operative Bank—are engaging, which is important.

Barry McCulloch: It will not surprise committee members that the FSB has a slightly different take from that of Phil Prentice. If we take the emotion

out of the situation and analyse the facts, we will find that between 2016 and 2018, there were 258 more empty units than there were before. As Phil Prentice mentioned, in vibrant property markets in city centres, those units will be filled; the market will kick in and alternative buyers or tenants will be found. However, in the rest of Scotland, such closures will thwart attempts to regenerate towns and high streets and will undeniably impact confidence and have a devastating impact on the local economy.

To return to the points that were mentioned earlier, cash remains the most popular payment method among consumers. As *The Herald* mentioned yesterday, in Lochgelly, which lost its last bank, traders there have seen shoppers and visitors go to Cowdenbeath because there is a bank there.

There is a distortionary effect on footfall, and some towns lose out overwhelmingly. We worry about the long-term impact of that, because we know that empty units in the high street blight towns. We know that it has a massive economic and psychological impact. Given that we are also in a transition between bricks-and-mortar retail and the future, we have big concerns about the impact that closures will have.

Some of the units are in historical buildings that are expensive to maintain. Elsewhere in Scotland, Crieff is an example of a town that has had an empty bank for some time. It has been a real problem site, and the impact that it has had on that largely affluent town has been considerable. That unit has been empty for many years.

10:00

Pete Cheema: The SGF has carried out work with a bill payment service company that indicates that £175 million-worth of rent and council tax payments are made through convenience stores. That keeps everything going. If that ability is taken away, local councils could come to a standstill.

However, we must not let the cash element cloud over other things. We have to look at the other services. It is about putting cash in and taking cash out, and about the change element, but it is also about the other services. If we are going to fully regenerate the Scottish economy and Scotland's high streets, bank lending will be a big part of it.

Coming closer than Crieff, if we look at Dunblane, we see that there is no bank there. If we look at the next town along, Bridge of Allan, we see that there is no bank there. Look at Bannockburn—there is no bank there. Look at Alloa—there will be no bank there. Where do all those retailers go for their lending if they really want it? They have lost that contact.

It is not only about the cash element; it is also about the other services that banks provide, such as lending, that grow the Scottish economy. At a time when the productivity of Scotland and the United Kingdom is weak in comparison to productivity in the rest of Europe, how are we going to grow it?

Ferhan Ashiq: To follow up on something Phil Prentice said about bank closures, in Edinburgh the churn is quite quick but in other towns it is not.

Prestonpans is a good case in point. The bank there has been shut for a year and half. A planning application was put in place for a restaurant to open on that site, with some housing on top, but it was rejected because of a lack of parking space. I expect that a lot of applications would be rejected because the parking facilities are not there, so what is going to go into that empty building on a prime bit of land?

The closure had a direct impact on one of the convenience stores on the high street, which shut down in November 2017. It had been there for 30-odd years, but it had to close. I planned to take on that premise but, in doing my due diligence, I sat in my car on the high street to see what the footfall was and in one hour I counted 10 people. That is horrendous. That is on a high street that used to generate a lot of footfall—a lot of people would have been there.

Phil also said that, as a population, we are moving towards being a cashless society that uses online banking and so on. We have to remember that elderly people cannot do that. I have a customer called Pat O'Brien, who struggles using a computer, never mind doing online banking. How can we expect someone like him to be able to make that transition and not be punished by the closures?

Gillian Martin: My question is specifically for the organisations that are represented on the panel. Has any research been done into decline in footfall as a result of bank closures? I know that we have anecdotal evidence, and Tim McCormack made a point about how it affected his business directly, but has any analysis been done on the results for general footfall in town centres of a bank closing?

Tim McCormack: Actually, there is a very good example that I will use from my background in the Post Office. In the early 2000s, when the first large round of post office branch closures happened, Manchester City Council undertook a huge survey on its effect there, including on footfall. The report is a good one to look at, because it shows the loss in revenue to businesses beside the post offices. The figure that it put on that was a massive one for just that one city, which lost 60 or 70 post office branches in one go. It is very good research into

what happens when a bank or post office closes. In the Post Office's latest network transformation project, the high street outlets that it is closing may be moving to retail units nearby, which is what mine did: my post office moved into a newsagent. However, my retail outlet then closed, and that was it: there was a loss of a retail outlet because of the Post Office network transformation programme. That has happened thousands of times throughout the country over the past few years.

Phil Prentice: Although we have not done any specific research, in Scotland we have a unique data tool called *usp.scot*—understanding Scottish places—which was built by the Scottish Government, academia and University College London. It gives us information on how towns function and is a typology toolkit. For the first time ever, a town can see what type it is and to which other towns in Scotland it is virtually identical. As part of an upgrade, we are just about to launch a further iteration that builds in green space, health and wellbeing data, digital connectivity and house price analysis. In the second phase of that, in 2018, and in partnership with the Institute of Place Management, we will deploy a lot of census takers across Scotland's high streets, which, for the first time, will give us real footfall data.

The committee might like to consider that there would not be any value in looking specifically at banks and their impact on footfall, because the situation is much more complex than that. There has been such a churn and change in retail, which was always the key driver for footfall in town centres. Until that works its way through, simply picking out retail services—and banking, in particular—would not really give you an accurate measure for footfall. The message that I am trying to give is that we are moving towards having much more real-time data that will encompass all the chop and churn around banking closures, retail movement, attempts to repopulate by putting core services back into the hearts of towns and so on. I have to say that some local authorities have done very well by investing and using the town centre first principle to put a range of public services in the heart of towns, which has then generated confidence from the commercial sector to come in on the back of that. Where we see collaboration, such as with public-private partnerships, we see a lot of success. Sometimes, we concentrate too much on the challenges rather than looking at the really good examples.

Gillian Martin: So, potentially, there is a big role for planning departments of local authorities in bringing not just retail—although they could help that—but people back into town centres?

Phil Prentice: Again, more proactivity in the planning system is one of the key planks of the

town centre action plan. We have seen approaches such as simplified planning zones to try to remove some of the bureaucracy on change of use so that people can move from one place to another a wee bit more quickly.

It is the duty of local government to start thinking about the investments that it can make in town centres that will then generate confidence for the wider private market to come in and capitalise on them. Across the country, people are gradually starting to see the town centre first principle, because towns are the beating heart of the community. In West Dunbartonshire, we are seeing Dumbarton making a big public sector investment in the town centre, on the back of which there is a lot of new commercial interest. People are asking about the Artizan shopping centre and what else might come from the 200th anniversary year that is coming around the corner. The process started with the council initially making a good investment and moving its headquarters from out in the middle of nowhere back into the heart of the town, in a very historic building. Across the country, there are very good examples—in places such as Kilmarnock and Dundee—in which footfall is being driven back into towns and a collaborative approach has led to significant improvement, and we need to pick up on those.

Gillian Martin: Thank you.

The Convener: Barry McCulloch wants to come in on that point.

Barry McCulloch: In our submission to the committee, we referenced research that we published at the tail end of 2016 that looked at the economic impact of branch closures, specifically on small businesses but also on the wider economy. It will not be a surprise that one of the big implications is reduced footfall and reduced spend in town centres.

It is important to reflect on the points that Phil Prentice has made in looking at closures in the round. It is not just about banks and big business; it is also about the public sector and the role that it plays in generating footfall. The closures that have been presided over across Scotland in the past three or four years have been significant. To name only six types of closure, there have been closures of police stations, courts, police counters, local government buildings, colleges and Her Majesty's Revenue and Customs offices. They are sticky units that generate footfall. From an FSB perspective, we are seeing a range of public and private bodies disinvesting in town centres, and that is making it much more difficult to breathe new life into places that have seen better days.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I would like to go over one

or two points that have already been made, particularly in connection with cash transactions. Everything that I have read from the banks indicates that cash is dead and that very few customers cross the thresholds of the banks any more, but the panellists are saying that retailers use banks frequently and that, as far as the panellists are concerned, cash is the primary medium for payment. Why is there such a disparity? Why do we hear from the banks that cash is being phased out, that they are encouraging that and that fewer people are using cash, but you say that it is still a vital part of your business? Why are the banks not highlighting that?

Ferhan Ashiq: You guys need to ask the banks about how they calculate footfall, because independent analysis is at odds with what RBS says. I need the committee to find out whether something that I have been told is true. If a person lives in Tranent, but their branch is in Musselburgh, and they just visit the Tranent branch regularly, that will apparently not be counted as footfall by the bank, in its statistics. If that is true, that in itself lets you know about the mischievousness of the footfall calculator that the banks have put out in the press and which they have let you guys and us know about.

I do not understand why there is such a disconnect. Every time I am at my branch, it is busy. I am there a lot less now, but that is only because I cannot afford to waste an hour every week going there, as I have a lot of things to do. I am the chair of an area partnership and I am a community councillor, so I have a lot of community commitments, and I have two businesses to run. I cannot spend an hour going to the branch to do basic banking that I used to be able to do in five minutes.

It was suggested earlier that the Bank of Scotland has set up a new facility. It is not a mobile van, but a pick-up of cash, and the cost per pick-up is £14.12, I believe. That is an extra charge. Previously, it would have cost just petrol money to go to the branch, but I would now be expected to pay an extra £14.12. As a caveat, I say that I am not a Bank of Scotland customer, but that is an extra charge for Bank of Scotland customers that was not there previously.

Colin Beattie: So, does the bank go round to the business to collect the cash?

Ferhan Ashiq: Yes, but £14.12 is charged for the pick-up. That charge did not exist before. The journey could have cost just £1 for petrol, or be just a walk.

Colin Beattie: How often do retailers go to the bank? I am trying to gauge what your footfall really

is. Do you go every day or every other day, or does it depend on what kind of business it is?

Ferhan Ashiq: I try to do it once a week.

Tim McCormack: I go twice a week, on Monday and Friday—as long as there are no armed robbers watching, in which case I do it on Tuesday and Thursday. [*Laughter.*]

Colin Beattie: Do not give us times.

Would anyone else like to talk about the cash issue?

10:15

Barry McCulloch: You asked how we square the circle, but it is impossible. On the one hand, the banks are saying that cash is dead and that we are living in a cashless economy, but on the other hand, the business community is saying that cash is absolutely central to operations. That is why we absolutely welcome the committee's inquiry, which will shed a bit of light on the issue. Three quarters of our members tell us that they regularly visit their branch for a range of banking services. We honestly find it difficult to digest the banks' perspective, because it directly contrasts with our view and the views of our members.

To move forward, we have to establish the facts, because there has been far too much emotion in the debate so far. The mere fact that we do not know how many banks will be open after the closure programme in Scotland in 2018 is unacceptable. How will we establish whether we have minimum banking provision if we do not know how many banks will be open?

Pete Cheema: For each of the past three years, we have produced "The Scottish Local Shop Report", which we provide to all MSPs. I am sure that you have all received the 2017 report, which states that cash turnover is at 76 per cent, so there is no question but that cash is still king, in retail. Also, convenience stores are predominantly low-margin, high-turnover stores, and companies often levy high charges on card transactions, which makes it difficult for retailers to move away from cash to non-cash transactions. Another issue is that, under the European Union payment services directive, which came into force in January, retailers cannot put any surcharges on card transactions.

I will move on to cash pick-ups. When somebody comes to pick up your cash at a cost of £14, £15 or whatever, that comes on top of the charges to put cash in the bank that I mentioned. It costs another seven and a half grand, on average, per year. Obviously, cash pick-ups depend on a business's turnover and how it uses that turnover. I sold my last store in June 2017, but we used to have a number of stores up and down the country,

and we had, for insurance purposes, to bank every single day. The amount of cash that you can take along to the bank and whether you need two people to go along with you depends on what amount the business's safe is insurance covered for—for example, it might be up to £6,000. There are all those considerations, so it is not simple.

As I said, this is also about other services being taken away. It will cause big issues for the Scottish economy, if we are not careful.

Colin Beattie: Is the use of cash driven by retailers or by the clientele?

Pete Cheema: It is driven by the clientele.

Ferhan Ashiq: It is also driven by retailers. That is also an issue. The reason why my store is 85 per cent cash is that I do not allow PayPoint customers who purchase gas and electricity to pay by card, because I am charged 17p per card transaction. The maximum commission that I make on £20, £100 or whatever, is 7p so, in effect, I would lose 10p. Over the course of a week, that would be £20, and if we add that up throughout the year, it is a large amount of money. If we look at the whole picture, cash will always be strong.

I represent a community that is in the bottom 20 per cent for social deprivation in the county. My stores are at the Wimpey estate in Levenhall and in Prestonpans. To move on to the ATM issue, if charges come in—I add the caveat that they are potential charges—there will be a devastating impact on both those communities. They are already among the most deprived communities—now we are going to charge people to take out their own money.

I am not saying that the likes of Scotmid and Tesco will not be able to facilitate that, because they generate multimillions of pounds, so their card charges will be a lot lower than mine. They can afford those costs: our businesses cannot.

Colin Beattie: I was going to come on ATM charges. What do you estimate your charges will be?

Ferhan Ashiq: ATM charges can be looked at as good or bad. Retailers that have self-filling machines have been told that they will get a bigger slice of the pie. However, if the retailer charges the customer to take money out, the customer will be less likely to take the cash, so there will be a direct negative impact on the store, through reduced purchases.

Having an ATM in my store has increased my sales by about 20-odd per cent. People who take £200 or £100 out will spend at least £10 or £15 in my store and take the rest with them. I am next door to a Scotmid store, which I am sure has a higher churn of cash. My store's ATM may be the

one that is earmarked for the chopping block, so that there are not too many ATMs within the area.

Colin Beattie: Is access to ATMs adequate? Have there been significant changes in the market that are having an impact?

Pete Cheema: There will be huge changes. When banks close, the ATMs are taken away and no one wants to take them on. The larger companies are saying to retailers that they have to charge the customer because the companies are no longer going to be able to provide commission. On top of that, because the ATM is in zone A in most stores, there is also the burden of the rates issue, which is huge.

Tim McCormack: As a newsagent, I knew that the bank next door was closing and that the ATM would go, so I got a card machine last August. Until then, my business had run without a card machine, with cash and cheques. For a newsagent, the average spend is much less than £5. The Sun costs 50p and cigarette sales are next to nothing these days, so the majority of sales are of £1 or £2. Those customers do not use cards—they use cash. My customers have had the opportunity to use a card machine since August and use is now stable at £1,000 per month, which is 5 per cent of my turnover. Cards are just not used in my shop.

Barry McCulloch: A free-to-use ATM network is a key component of a healthy local economy. We take it for granted, but maintaining that free and easy access for consumers is essential for business growth. Some statistics suggest that more than one third of high street spend is contingent on the availability of a cash machine. If they go, that will have a knock-on effect for the local economy.

As Colin Beattie alluded to, all is not well with the current ATM network. On the whole, it probably hinders rather than helps with the availability of cash. There are cases where towns run out of money, where ATMs are unreliable and where they are poorly maintained.

As Ferhan Ashiq and others have mentioned, the situation could get a lot worse if the plans that are being put forward by Link Scheme Ltd go ahead. They could lead to the closure of many free-to-use cash machines. We do not know how many, because the payment regulator has not stepped in yet. We have joined forces with Which? to bring the issue to people's attention and to make sure that the consumer has access. So far, 60,000 people have signed the petition. There will be a debate in the Westminster Parliament soon. We urge all committee members to raise the matter with their constituents. Not many people know about it, and it is likely to have a big impact on urban areas rather than on rural areas, given

the proposals. We are trying to highlight the economic necessity of ATMs. If we are not careful, we may lose them.

Colin Beattie: I have a question for Ferhan Ashiq. You mentioned that both your stores are in low-income areas. You also talked about people coming into the shop and drawing out £100 or £200. Are those the sort of sums that people normally withdraw?

Ferhan Ashiq: No. I was trying to make the point that regardless of whether people take out £100 or £200, they still spend £15 in store. There would be an impact if the ATM were removed. I do not know whether I have spoken to Colin Beattie about this in the past, but we have noticed that at the end of the month, which coincides with pay day for many companies, people withdraw their money so both my ATM and the ATM at Scotmid next door are always out of cash. That has a direct impact on us. If we have both run out of cash, there will be a 25 per cent drop in my business right there and then.

Not everyone has the ability to use a card to pay. You must remember that people who live in socioeconomically deprived neighbourhoods get the poorest accounts to begin with, they do not have the access to cards that you and I take for granted, and they cannot make contactless payments because they have only the most basic accounts. That really restricts their ability to purchase things. They do not know any better because they have not been given the facility—they do not know that it is available. In contrast, you or I could walk into any branch of any bank and be given the best account, because we are at a different financial level. That was the point that I was trying to get at.

Dean Lockhart (Mid Scotland and Fife) (Con): We have a couple of ATM operators with us and I would like to get their practical experience. If the Link network fees are cut, as has been proposed, would that mean that operating an ATM would become unprofitable? In effect, would you have no option other than to close the ATM? Are other options available?

Ferhan Ashiq: In theory, operating an ATM is supposed to be profitable because the shop will get a lot more custom. However, if someone comes into my store and they will be charged £1.50 for a transaction, are they more likely to withdraw the £10 that they need or £100 because they do not want to pay £1.50 each time? If someone is living in a socially and economically deprived situation, they might not have £100, but might have only £10 or £20, which could mean that they might pay £3 in charges, which would also reduce the amount that they spend in the store.

Pete Cheema: I want to answer the question that Dean Lockhart asked. We have been contacted by several members who have had pressure put on them to make one of two choices: either the ATM goes or they have to charge for withdrawals and all the commission is taken away. That is what is happening now and it is because the Link interchange charges are being reduced. That is an absolute fact.

I also want to answer an earlier question. Average spend in our stores is only £6.28. The people who come into our store do so three or four times a week and 55 per cent of our customers come from the lowest socioeconomic groups.

Dean Lockhart: You mentioned a fee of £1.50 for each use of an ATM. Is that a fixed fee or is the amount charged at your discretion?

Ferhan Ashiq: I based my comments on the current charge for using ATMs, which is £1.50, although the fee has not been set.

If you look at my ATM statistics, you will see that I have a lot of people using my ATM, but if I were to charge, I would expect to see that decline substantially. I put the ATM in my store to save my having to go to the bank to deposit cash. I no longer have to do that. It just goes straight into the ATM and is recycled straight back into the economy: the money stays in Prestonpans.

Dean Lockhart: Finally, how often is the machine replenished or money taken away, as appropriate?

Ferhan Ashiq: This is a public forum, so could I give that information to you in private?

Dean Lockhart: Of course. I am sorry.

The Convener: Perhaps Pete Cheema could assist us with a general percentage.

Pete Cheema: It depends on turnover, but, in general, that happens about twice a week.

10:30

John Mason (Glasgow Shettleston) (SNP): I want to deal with the specific issue of closures. There was a busy branch of the Royal Bank of Scotland in Shettleston, in my constituency. The bank announced that it was going to close the branch and then had a consultation after the decision was made. Was my experience an unusual one, or has that also been your experience? Have the banks consulted before they have made a decision, or do they do so only after they have made a decision?

Pete Cheema: I am not aware of whether any consultation has been done on any of the closures; they have just been announced. We had a meeting in London with the head of retail at

RBS, and we had another meeting with RBS just yesterday, in fact. At those meetings, we highlighted the fact there had been no consultations and that there had been no information about any back-up plans such as what the banks are doing to—

John Mason: I would like to deal specifically with the issue of consultation first, and we can look at the alternatives afterwards, if that is okay.

Pete Cheema: Sure.

John Mason: There is meant to be a banking access protocol in place that says lots of nice things about community engagement, impact assessment, the publication of that impact assessment and so on. However, that has not been your experience.

Pete Cheema: No. I had a look at that this morning. None of that protocol has been followed.

Barry McCulloch: It is a mixed bag, to be honest. The access to banking protocol is a nice document but does it govern the closures that happen locally? Not particularly. We still see a lot of variability in whether the banks consult people when they are deciding whether to close a branch in a locality. Generally, if it consults before the closure is announced, which it often cannot do, for commercial reasons, it will quite often—

John Mason: Can you explain why a bank cannot consult because of commercial reasons?

Barry McCulloch: What we have heard from some of the banks is that, because a number of staff will be made redundant or be redeployed, they are limited in what they can tell people. I cannot say whether that is true.

The point that I was trying to make was that there is a mixed uptake of the access to banking protocol. Our members tell us that there is little ability to input into the consultation because the decision has already been made. I know of no situation in which a bank has consulted on a closure and then changed its mind as a result of significant community engagement.

John Mason: Does anyone else know of any situation in which a bank has changed its mind about a closure as a result of consultation?

Tim McCormack: I think that there was one such instance in Melrose in the Scottish Borders. I understand from John Lamont that RBS might have decided to keep that branch open because the sub-postmaster who would have provided the alternative banking provision was seriously ill.

John Mason: We are a wee bit pressed for time, so I will ask Pete Cheema to tell us about the alternatives that the banks might be suggesting.

Pete Cheema: At the meeting with RBS yesterday, we highlighted to it that it had done nothing to proactively promote the alternatives. Indeed, RBS is now taking away some of its mobile branches as well. It has not talked about its mobile places, the alternative ways of banking, pick-ups or any such provisions. We asked RBS to engage yet again with our membership so that the alternatives can be highlighted.

John Mason: On the specific issue of post offices, if I went into a town and wanted to get money, the two places that I would think of to get it would be the bank and the post office. The post office seems the obvious place that services could be provided in. Do you think that the banks are not keen on promoting the post offices?

Pete Cheema: The banks have not promoted the post office, and the post office has certainly not promoted itself, either. Also, if you want to go to a post office, you have to have made arrangements to bank your money at that place. If you can bank there, there is a maximum limit of, I think, only £2,000 per day. Again, there are restrictions on banking.

Barry McCulloch: If you are in a community and your bank closes, there are generally three main replacement services. You can use online banking, mobile banking units or the post office. Each of those has strengths and weaknesses. Given the popularity and dominance of cash, they all suffer from similar flaws.

To take each one in turn, firms are using the facilities and technology that online and app banking offers, but—to state a rather obvious point—you cannot deposit cash using an app. Also, many rural businesses do not have the data or broadband connections to fully use online services. I believe that *The Press and Journal* pointed out last year that the majority of the closures in the north-east were in areas with lower than the average UK broadband speed, which presents a problem.

There have been problems with mobile banking units for a number of years. One FSB member was robbed outside their business, which was highly regrettable. Aside from security issues, we have experienced practical issues around information on the routes, when they are coming, their frequency, how long they will stay and the service that they offer. It has to be remembered that a mobile banking unit offers very basic banking services and is in no way a substitute for a bank branch.

The news, the week before last, that RBS is going to reduce its mobile banking unit service is a concern, because when bank closures have been announced—and they are still being announced—mobile banking is usually held up as something

that will offset the impact of closures on businesses. Some of our members in rural areas will face the situation of literally having a couple of minutes a week in which to do their banking. In Kingussie, I think, the mobile bank's one visit a week will last 20 minutes. Every local business will be trying to deposit their cash and perhaps get some useful advice from their key contact during that time.

John Mason: Could the post office model be improved and developed to give a satisfactory service? For example, some banks used to have a night safe that allowed people to put cash in at different times when it suited them. Presumably, it is not beyond the stretch of the imagination that post offices could have some kind of night safe or something like it.

Surely the requirement to use just one post office can be changed so that a person could use any post office. It seems to me that those are practical improvements that could be made if the post office is the best model. The post office is already subsidised, so it already has a kind of public involvement. Is the post office potentially an alternative, or is it not?

Tim McCormack: I was a sub-postmaster for a number of years and I can tell you that the post office is not the answer to the banking issues that are being raised here today.

Nobody seems to understand how little sub-postmasters get paid for dealing with cash. No sane person would take it on. Nowadays, for a £1,000 deposit, a sub-postmaster gets paid 20p. For that, he has to count the money, make sure that it is not counterfeit, bag it, put it on the accounts system and all the rest of it. If he loses £20, he has taken the risk of that money—he kind of owns it from that time until it leaves in a security van. If he takes in one forgery of a £20 note, he has to count out £20,000 in cash. He is a retailer as well. He has his little post office counter here and his shop here, and if a customer comes in to bank £2,000, in mixed notes all over the place, it is going to take him 10 minutes to do that, and that is way underneath the national minimum wage. Meanwhile, a chap is wanting to buy £10 worth of groceries, on which the sub-postmaster is going to make £3.

John Mason: I take the point that the post office system is not working and it is flawed. That could be sorted by the Government telling the banks that they have to contribute a lot more to the post offices.

Tim McCormack: It can only be sorted by changing the Post Office Ltd management, who have ruined the post office.

John Mason: Do you think that it can be sorted?

Tim McCormack: It can be sorted. If you put somebody in there who has some idea of how to run a business, you will get the post office sorted and back to where it should be in the high street. At the moment, the people who are running the post office have ruined it. Over the past seven years, they have destroyed it completely.

Pete Cheema: The trouble is that, under the transformation scheme that the Post Office Ltd management have undertaken, they have gone into local post offices, which take on only 70 per cent of the original services that they once offered. For what we are talking about to happen, the criteria would have to change and there would have to be fundamental training for staff. Indeed, the cost structure and payment structure to sub-postmasters would have to be substantially improved. That is mostly likely to take us back to what we had before what we have now.

I also want to make a point about online banking. There seems to be a perception that online banking is free for commercial businesses, but it is not. It is free for personal banking, but there are charges for online commercial banking and businesses are having to bear the brunt of all charges.

John Mason: Could you give us an indication of what that cost is? We have heard that it is 17p for a card transaction; what are the online costs?

Pete Cheema: They are predominantly for direct debit and standing orders and they can be anywhere from 13p to 17p. It depends on what the business has managed to negotiate with its branch.

It even costs to have online banking. If a business has Bankline with RBS, for example, it can be charged £40 a month to have that facility. If it has Bankline lite, it is £20 a month. It all depends on what facility and structure the business has, and how many accounts it has.

In between that, every time a standing order, direct debit, cheque or credit card payment goes out, or cash goes in or out, it is all charged for.

Barry McCulloch: A range of practical improvements could be made to the post office network. For example, it could increase cash deposit limits. It could standardise the service, as there is a lot of variability. It could provide an enhanced service for business customers. Quite often, a business owner will expect the same expertise from the post office as they get at a bank branch, but that is not the case. It could ensure that interaccount transfers are available. It could ensure that currency exchange services are available, which is a critical point given the importance of tourism to the Scottish economy. If that facility does not exist in popular tourist hot spots, we are really missing a golden opportunity.

Ferhan Ashiq: I agree with everything that Barry McCulloch has just said. When I used to bank with RBS, it forced me to go to telephone banking. I used to call up a day in advance and get my change the next day. Now with the post office, still through RBS, even though I am supposed to call a day in advance and get my change the next day, because I have a good relationship with my local post office I can call at 9 o'clock in the morning and by 10 o'clock have my change. That is an exception, not a general rule. In its current state, the post office is not right and it could be made better.

Pete Cheema: To add to Barry McCulloch's points, another two things need to happen. First, faster payments need to be brought in. For example, at the moment, if you bank into the post office, even if the amount is under £2,000 in cash, it still takes two days to hit your bank account, whereas if you paid it in at your bank branch, it would show up straight away. That is a cash-flow issue. The second point, which we must not forget about, goes back to the point that Tim McCormack made earlier. There needs to be a substantial increase in the payment that is made to sub-postmasters. At the moment, their hourly rate is probably about £2.50.

10:45

Gordon MacDonald (Edinburgh Pentlands) (SNP): There has been a lot of discussion of the additional cost to businesses of the changes in banking and the loss of the branch network. Convenience stores have been mentioned, but the licensed trade, cafes and tourism businesses are affected, too. Is anyone aware of whether any analysis is being done of the impact on the economy of all the additional costs that businesses are incurring in security, insurance, travel and so on? I think that it was Pete Cheema who said that the changes are causing big issues for the Scottish economy. Is any analysis under way of the cost to the economy?

Barry McCulloch: I am aware of a research programme that Highlands and Islands Enterprise has organised, which is taking a wider overview of the impact that bank branch closures will have on the Highlands. I am not aware of any other pieces of research. To an extent, we have been caught in the headlights by the sheer frequency of bank branch closures. As a country, we have not yet taken a step back to look at what impact they will have.

Gordon MacDonald: Do you have any indication of the total cost to individual businesses of all the additional costs that have been mentioned, such as the time that is lost through having to travel to another bank and the cost of that travel and the parking, as well as the security

and insurance costs? Would anyone like to guess the extent of the effect that that is having on individual businesses?

Ferhan Ashiq: We have talked about self-filling ATMs. Having an ATM increased the cost of my insurance by £200 per annum. In addition, the fact that it takes between two and five days for me to receive the money for the ATM increases the potential for a cash-flow crisis. If a direct debit or standing order payment turns out to be a lot higher than I expected, I might not be in a position to pay someone else for goods. That has happened to me a few times, and I have had to explain to the person concerned that the transaction must take place on a Wednesday, which is when the money will come back in again. That cost is not seen, but it is there.

Tim McCormack: It is interesting to note that, when RBS closed my local branch last year, everybody else decided to put their banking charges up from 50p per £1,000 to 70p per £1,000. I looked around for an alternative, because that was just too expensive. We would normally take the money from Coldstream and my wife would bank it in Duns. I found a company that would allow me to bank it through the post office. I now do that, and my bank charges have halved. I put the money in at the post office, it goes into my interim bank account immediately and it is in my RBS bank account within an hour, for half the money that it used to cost me. That is good for me, but it is not good for the people who are dealing with the money, including the sub-postmaster.

Gordon MacDonald: Ferhan, you talked about cash-flow issues. In the past, small businesses would have had a relationship with their local branch, whereby they would have been able to discuss with the manager their cash-flow issues, how the bank could support them and the possibility of loans to invest in the business. Now that the branch network has been vastly reduced, such access is no longer available. What alternatives are there for small businesses to get advice about investment, cash-flow issues and so on?

Ferhan Ashiq: I have looked at it in a different way by speaking to my suppliers when I have had cash-flow issues. United Wholesale is my biggest supplier. Every time that I have had a cash-flow issue, I have called the company in advance to let it know what has happened, for example if I have had to pay extra VAT. The supplier has been understanding and has known that I will make the payment on the Wednesday, because that is when the money will go back into my account.

In the past year, I have teetered on the edge a number of times; indeed, the issues have arisen much more in the past year than ever before. The

biggest problem was that the issues coincided with a long period when my relationship manager was ill and I was not confident in the competence of the replacements. I did not want to be constantly calling up the bank, which did not really understand my needs. My relationship manager knows and understands me and he can probably find a solution, but at that point he was not there.

I had created other supplier networks—again, this is my anecdotal evidence; it does not apply across the board—so I was able to use those networks and I did not necessarily have to rely on the banks. Given that the banks are closing down their branches at an exponential rate, perhaps my view should be that the suppliers are staying, whereas RBS is not.

Barry McCulloch: Dangerously, I was doing some arithmetic—if you knew me, you would understand why my doing that is dangerous. I have been thinking about the impact on productivity, particularly for our members who live in remote communities. As we mentioned in our written submission, one of our members lives in Durness and has to travel to Ullapool to use a bank. That is a round trip of three hours and 10 minutes. If that journey is made once a week, that would be £1,000 in staff costs a year; if the journey is made twice a week, the cost would be double that. That money could and should be spent on the business.

Phil Prentice: One of the most interesting parts of the town centre review undertaken by Malcolm Fraser was when he went into a town centre and a councillor said, “Did you see our big shiny primary school on the outskirts of town? What do you think we should put in place of the old primary school?” Malcolm turned round and said, “A primary school.” The same should apply to banks.

Another close analogy is the situation with churches. If the banks individually have to tackle the last branch issue, they will all run away from it. However, if there were an imperative to get the banks to work together, we could end up with a last-branch-in-town solution, which would be an interim measure that would help the business community. That is what we should aspire to. We should get the banks round the table.

We also need to think about the opportunities with credit unions and the emerging new disrupters coming into banking. At the end of the day, the banks do not want to lose their customers. There is still a desire to have a personal relationship with them, albeit that a lot of that is done over Skype, FaceTime or the telephone, as opposed to people going into a branch to speak to someone face to face.

We should aspire to have some form of last branch in town, particularly given the issues that

the guys on the panel have spoken about. We have always had to pay for commercial banking; that is a given.

Gordon MacDonald: You mentioned the last bank in town and the possibility of shared banking facilities. I raised that question with RBS a couple years ago when it started to close branches in my area. I took one of the community councillors along to a meeting with the bank. Its concerns about that option were staffing issues, security issues and the different protocols in place between banks that are in competition with one another. As far as RBS was concerned at that time, the proposal was a no-no; it would not consider it.

Phil Prentice: The banks have to consider that option. If it is not RBS, the other banks will see that as an opportunity.

Basically, the banks have been feeding us all the information; now we are beginning to hear from the other side. We are not asking them to maintain branches for 1 per cent of the population. It is the same with churches: if you go into a Scottish town, you will find that there are five churches but probably the congregation only for one. There has to be a step change with the banks. Those guys know how to run businesses; they are smart people. They are digitising, automating and looking to the future. If they cannot come up with a solution, there is something wrong.

Gordon MacDonald: There has got to be the will.

Phil Prentice: Exactly.

The Convener: We are running out of time, so I want to move on to questions from Andy Wightman. I know that Pete Cheema and Ferhan Ashiq want to come in. I ask that they combine their responses to the previous question when providing answers to the next questions.

Andy Wightman (Lothian) (Green): I want to follow up Phil Prentice’s point. In a sense, the banks are closing for their own commercial reasons. Their productivity is extremely low because far fewer customers use the branches. However, they are critical to not all but part of the ecosystem of the local economy. Therefore, is it not a classic case of market failure?

I want to get your impression on the extent to which the private sector can deal with market failure, because generally it is not very good at doing so. Although there are bits of the economy in the cities, for example, that are broadly resilient to that kind of impact, there has been an impact on places where the private sector will not step in and deliver, such as Lochgelly and Durness. If there is market failure, should we not be looking for a solution from the state in providing the last bank in

town, as Phil Prentice talked about, and managing the transition from a cash to a non-cash society?

Phil Prentice: I agree with that, in certain circumstances. Using the Post Office will not be a single-bullet solution, but credit unions might be able to help. Community-led initiatives in places where there have been branch closures, such as Colinton, Baberton, Juniper Green, Currie and Balerno, have looked at how a community bank might work in the future. We need to explore that option. How would a community bank operate compared with a private bank? It will be really interesting to see where those community studies get to. What will a community bank look like in the future?

Ferhan Ashiq: Phil Prentice mentioned credit unions. One of the things that our area partnership did was bring a credit union into Prestonpans, which sits twice a week—on a Tuesday and a Thursday—I believe. That is great for consumers, but the only problem is from a business point of view in that the credit union does not offer business banking facilities, which is one of the things that I wanted it to offer. I have been pushing and pushing the credit union, and speaking to it in the background, but it is not able to offer such facilities. If we were able to make the credit unions better and the Post Office better—together and holistically—we could probably get ourselves out of the situation that the banks are putting us in.

Pete Cheema: I return to a point that Phil Prentice made much earlier: we are looking for solutions when we already have a solution. We should not be closing the last bank in town, so I do not think that we need a solution when one is already there.

We need to go back and talk to the banks. It is very clear that the decisions are being made in London. Up and down the UK, 600 branches have closed, but part of Wales, the whole of Scotland and bits of the south-west of England have suffered the most. We need to take that in context; I wonder sometimes whether the banks understand Scotland's landscape.

Andy Wightman: You said that we have the solution. If a town has Clydesdale Bank, RBS and Bank of Scotland, and Bank of Scotland and Clydesdale Bank close so that RBS is the only bank in the town, are you suggesting that the answer is to force that bank not to close?

Pete Cheema: Yes.

Andy Wightman: How would one do that? We are talking about private businesses. If the state tried to force you not to close the businesses that you own, how would you feel?

Pete Cheema: The UK and Scottish Governments have a role to play. If we are talking

about productivity, the viability of businesses and helping local communities, I am sorry but you guys need to start stepping in and talking to the banks, because they will not listen to us individually.

The Convener: Do you view it as correct that banks are private businesses? Are they not underwritten by the financial compensation scheme, which is underwritten by the general fund of the United Kingdom?

Pete Cheema: Absolutely. RBS is still owned by the Government, and there are other banks out there in a similar position. However, we have a solution and you guys need to take the action.

Jackie Baillie (Dumbarton) (Lab): I think that you have all contended, in various forms, that the access to banking protocol has in effect been breached. Are any sanctions attached to the protocol or can the banks just ignore it, as they appear to have done so far?

Barry McCulloch: I am not aware of any sanctions. We heard reports that, after it was reviewed by Professor Russel Griggs, there would be a renewed commitment to the protocol, because many bank branch closures were expected. I do not want to belittle the protocol, but it is effectively a paper tiger: it does not do anything practical on the ground. When we speak to business owners who have experienced branch closures—for our membership, that is about one in every two—they say that they do not know that the protocol has been in existence, they have not been consulted and there has not been open publication of information. Therefore we have big questions about the future viability and effectiveness of the protocol.

11:00

Jackie Baillie: I want to talk a little bit about a point that was explored by my colleague Andy Wightman. It strikes me that co-ordination among banks is a key issue. We have talked about RBS closures but, just yesterday, Santander sent an email to my colleague Colin Smyth, who represents South Scotland, saying that it is closing its branch in Lockerbie, which is two doors down from an RBS branch whose closure has already been announced. Pauline McNeill tells me that four Santander branches are going in Glasgow and one in Milngavie, and I am sure that RBS branches will be going in exactly the same locations.

I am persuaded of the need to ensure that we have a last bank in town, and I know what Pete Cheema's view is. However, I wonder whether other panel members are equally persuaded. Do you think that the Government needs to legislate—or to do something—to ensure that that happens?

Tim McCormack: The Government has legislated in the past. The Post Office is obliged by statute to maintain the last shops in villages, which are treated separately and are subsidised heavily. Notwithstanding my comments on the current Post Office management, it can deliver an answer because it can deliver the banking requirements, which are primarily what we have all been discussing here today. It is all about cash, really—and perhaps a few cheques. For the retail customer, that is all that they do in banks, nowadays.

Pete Cheema: I must say that it goes further than that; it is about lending and other facilities, too. We keep forgetting about those facilities, which are much needed for growing the Scottish economy.

Phil Prentice: Perhaps a bit of carrot and stick is required. Ultimately, I would suggest getting those guys into a room and saying, “Look, this is an issue and we’re not happy about it. You have a corporate social responsibility for supporting your communities—both residential populations and commercial businesses.” Perhaps the stick could be about what we do on the Scottish national investment bank. Is there a role on that that could go beyond infrastructure and which might support the SME sector more widely? We need to say, “If you do not move on this, we can move into that our space ourselves.”

Pete Cheema: I agree. Lloyds Bank, which is the owner of Bank of Scotland, had pre-tax profits of £4.2 billion in 2016; in 2017, they were £5.3 billion. That begs the question why it is actually closing branches. It is making huge amounts of profit and forcing commercial businesses to have an extra burden of costs—and it is giving them no choice.

The Convener: Ferhan Ashiq and Barry McCulloch want to come in on that.

Ferhan Ashiq: I want to pick up on a point that Andy Wightman made earlier. In answer to Pete Cheema’s point, Mr Wightman asked how, if RBS is a private company, it can be forced to maintain its last branch. I believe that there used to be legislation on the books such that, if a bank had the last branch in town, it was not allowed to close it. However, I am sure that that expired a number of years ago. If we were to adopt that way of thinking, would the Post Office not be categorised that way eventually, too? It is now a private company as well, so could we force it to have the last branch, given what is happening there?

Barry McCulloch: I want to make two brief points. Up and down the country, FSB Scotland will continue to fight against bank branch and ATM closures—often hand in hand with members of the Scottish and UK Parliaments. Ultimately, the UK

Government will have to step in and conduct a thorough economic impact assessment. By our estimation, after the closure programme, there will be around 700 to 750 bank branches, serving a population of 5.5 million people and a business population of more than 300,000. Will that be enough? What replacements will need to be put in place?

If we are realistic and accept that that closure programme will continue—unfortunately, I think that it will—we must ask what we need to do to offset the impacts that FSB members and other businesses will face. We also need to get going very quickly, because this is happening now and will continue to happen throughout the year. I do not think that the process has bottomed out yet—more closures will probably be announced soon. We need to ask what the bottom floor is, as well as the minimum level of banking service provision that should exist for the Scottish economy.

The Convener: I thank everyone very much for coming today. I suspend the meeting and we move into private session.

11:05

Meeting continued in private until 11:57.

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