

COUNTRYSIDE ALLIANCE BRIEFING NOTE

BANKING IN RURAL AREAS



The Voice of the Countryside

House of Commons, Adjournment Debate

“RBS branch closures in rural areas” (Ian Blackford, SNP, Ross, Skye and Lochaber)

Monday 18 December 2017

Background

- Sweeping bank closures are being blamed by banks on the lack of usage, with fewer and fewer users going into their local branch and preferring to bank online. However, closures in rural areas, especially in the absence of reliable mobile or broadband connectivity can present particularly serious challenges.
- Access to money and finance in rural areas has never been so difficult. 20 per cent of the population live and work in rural areas and yet only 12 per cent of bank branches and 11 per cent of cash machines are located there.¹ This means it is becoming increasingly difficult for people and businesses located in rural communities to access their money, other day-to-day services, and those services necessary to run a local business.
- Even before any further bank closures, more than 930,000 households in rural areas live below the Government's official poverty line and as many as 200,000 people living in the countryside do not have bank accounts of any kind.²
- Poor public transport systems and long travel times make physical access to mainstream financial services difficult and more costly for people living in rural communities. Indeed getting access to money often means a journey by bus for the many elderly or vulnerable people who do not own a car.

Access to cash

- The personal finance sector is undergoing rapid change, not least with the growth of internet, telephone and mobile banking. However, access to cash remains important for many households and businesses in rural areas.
- The closure of retail bank branches is a long term trend. Indeed, the 479 branch closures in 2014 (UK-wide) marked a significant increase over previous years and was exceeded in 2015 with 650 closures. Some 124 of the closures during 2014 were of last bank branches in their neighbourhood, particularly affecting rural towns and coastal communities.

¹ State of the Countryside Update: Financial Inclusion, published January 2017

² Ibid

- The most recently available rural analysis from 2010 shows there were 1,317 bank and building society branches in rural locations in England but there are now likely to be far fewer. These comprised 13 per cent of all branches, the rest being in urban locations. Only 30 per cent of households in villages were within two and half miles of a bank or building society branch.
- Nonetheless, 72 per cent of all cash withdrawn in 2015 was accessed at an ATM or cash machine. With 11 per cent of cash machines located in rural areas there is typically good access to ATMs in rural towns, but in villages a quarter of households lived more than two and half miles away. The LINK network runs a financial inclusion programme to plug geographic gaps, where there is no free-to-use cash machine. So far this has targeted deprived areas, which are largely urban.
- Credit unions have grown fast measured in terms of their customer base, deposits and loans. Whilst no rural-specific figures exist, it is clear from their names that many are serving largely rural areas.

Post Offices

- The post office network offers an important means of accessing cash, either using its own financial products or because it provides access to the current accounts of 20 other banks and the business accounts of 8 other banks. Half of those who regularly access their accounts at a post office do so because there is no nearby bank branch. The Post Office Card Account also remains an important means of access to cash for those on low incomes. Nationally there are more post offices than there are bank branches (of all the banks combined). Moreover, the post office network has rural reach, since more than half of its outlets are located in rural areas, including a presence in many villages.
- The number of post office closures has slowed down, with a net loss of 27 rural outlets during the 2014/15 financial year. Almost 99 per cent of the rural population lives within three miles of a post office outlet, comfortably exceeding the 95 per cent target set by Government and the postal regulator, Ofcom.

Countryside Alliance calls for:

- Access to Banking Protocol to ensure that when a branch is moved or closed customers are made aware of the banking services offered by the nearest post office.
- The Post Office and banks to standardise the banking services offered over the post office counter.
- Digital connectivity and skills to be improved to ensure those living and working in rural areas are able to access banking services online.

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