



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Ulster Bank Branch Closures:
Ulster Bank Briefing

10 July 2013

NORTHERN IRELAND ASSEMBLY

Committee for Finance and Personnel

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Mr Leslie Cree
Mr Paul Girvan
Mr John McCallister
Mr David McIlveen
Mr Peter Weir

Witnesses:

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|-------------------|-------------|
| Mr Richard Ennis | Ulster Bank |
| Ms Eilvena Graham | Ulster Bank |
| Mr Sean Murphy | Ulster Bank |

In attendance:

| | |
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| Mr Patsy McGlone | Committee for Enterprise, Trade and Investment |
| Mrs Sandra Overend | Committee for Enterprise, Trade and Investment |

The Chairperson: Good morning. I welcome to the Committee Eilvena Graham, who is the head of the Ulster Bank in the North and is also the managing director of corporate banking throughout the island. You have plenty on your plate, Eilvena. I also welcome Richard Ennis, who will represent business banking, and Sean Murphy, who will represent branch banking.

Eilvena, I will make a start. The Committee for Finance and Personnel and the Committee for Enterprise, Trade and Investment were concerned about what happened last week. At the outset, I want to focus on the staff of the Ulster Bank. The statement or announcement went out last week to the City of London on behalf of the Royal Bank of Scotland (RBS) about branch closures and staff cutbacks. In my view, the staff were almost an afterthought. It certainly appeared that way with what happened last week, which caused a lot of stress and anxiety to staff of the Ulster Bank. Does the blame for all that lie with the Ulster Bank or the Royal Bank of Scotland?

Ms Eilvena Graham (Ulster Bank): Thank you, Chairman. Before I answer your specific question, I will read a statement. I will take questions at the end if that is OK.

The Chairperson: If you do not mind my asking, how long is the statement?

Ms Graham: I will certainly answer the question when I get to that point.

Thank you for inviting us to the Committee. As you heard, I am Ellvena Graham, and I am the head of the Ulster Bank in Northern Ireland. I am here in that role today. I am joined by two colleagues, Richard and Sean, who represent business and branch banking.

What we want to do today is threefold. First, we want to give some background to the RBS investor briefing that was given by the Ulster Bank on 2 July. Secondly, we want to provide context to the resulting commentary, specifically on our branch network and employee numbers. Thirdly, we want to reiterate the important and positive role that the Ulster Bank has to play in the recovery and future of the Northern Ireland economy, which is a message that we and I, since I was appointed as the head of the bank in Northern Ireland, have promoted actively.

At the outset, I want to apologise to customers and staff to whom we caused unnecessary concern last week following initial reports of further job losses and branch closures. That should not have happened. As you will hear, we could have averted that by providing proper context in the investor briefing.

I will provide some background on how that happened. On 2 July, our chief executive, Jim Brown, our chief risk officer, Stephen Bell, and our acting chief finance officer, Richard Harding, were in London to take part in RBS investor relations briefings. The purpose was to outline the bank's four-year recovery strategy going back to the start of 2012 and looking out to 2016. That strategy encompasses Northern Ireland and the Republic of Ireland. The presentation was made to an audience of investors and analysts in the UK, articulating our view of the operating environment, the progress that we are making against our strategic plan and a high-level outline of future initiatives that we are seeking to implement. Through our business, we have many audiences that we need to communicate with on a day-to-day basis. Our primary audiences are always our staff and customers. However, as part of the large RBS group, we need to address many other audiences, including the investor community, Government and the industry, which, given our role in the economy, all have an interest in understanding our strategy and progress. There is always a balance to be struck, but, more importantly, context to be given to meeting the needs of those many audiences.

Internally, our business strategy has been central to a series of 60 staff briefings that Jim Brown is undertaking across the island of Ireland. Today, he is hosting the thirty-fourth of those, meeting around 80 of our people as part of the communications programme. In those staff sessions, we highlight the progress that we are making on the strategy, what is yet to be achieved and how we plan to get there. That includes becoming a smaller, more efficient bank, while at the same time responding to changing customer behaviour and needs.

Last Tuesday, the investor relations briefing was tailored for an audience of analysts and investors. By its very nature, it had high-level forecasts without any specific detail, which is yet to be fully worked through. The briefing was available publicly through a webcast. That last point became clear only after it was due to get under way. As the presentation primarily targeted an investor audience, no context was given alongside the material that was provided. That highlighted a failure in our internal briefing processes, which we have already addressed as part of our planning for any future similar events. In the investor briefing, we talked about our strategic plan over four years to build a profitable, sustainable bank. We also included a forecast that our overall job headcount would be reduced from 5,800 starting in January 2012 throughout the island to between 4,000 and 4,500 by 2016. Unfortunately, without context, initial reports of the briefing stated that 1,800 jobs were being shed and, some said, on top of the 950 jobs that were announced last year. That was inaccurate. It understandably shocked our staff, who had no prior warning of any such figures. I can confirm today that there is no plan to seek another 1,800 redundancies. The figure that was quoted did not take into account the 950 jobs that we had announced last year. We are in the course of final delivery. We anticipate that the remaining numbers that are required will be met through a combination of completing the 950 jobs, natural attrition and a reduction in temporary staff as projects come to an end.

Had members of our team been aware that the presentation would be more widely available, they would have set that context when possible and given more specific information. Therefore, if there had been any new or fresh news, we would have notified our people in the first instance and any other relevant stakeholders before the information was put into the public domain more widely. When we became aware of that and how it was being reported, we moved very swiftly to correct the figures that were being quoted, internally and externally. Through our internal communications that followed, we apologised to our people. However, I take this opportunity to apologise publicly to them for what happened.

The other aspect was Ulster Bank branches. That attracted significant comment from stakeholders following the briefing. In it, we forecasted that, by the end of 2014, we would reduce our branch network by between 50 and 60 branches across the island of Ireland. We did not make it clear that the figure included the 22 branches that we had already closed earlier this year. All of you will be aware that the Ulster Bank is not the only bank in Northern Ireland that is adopting that strategy. Taking a decision to close a branch is never, ever easy. Decisions are taken against a backdrop of changing customer behaviour and a challenging financial environment. Indeed, only 21% of our transactions come through branches nowadays. Since the announcement in January 2013, we have been consistently clear that we are keeping our branch network under review. In fact, in our programme of staff briefings, people are left in no doubt that it is our intention not only to streamline further the traditional branch network but to increase the overall service availability for our customers. It is important that both Committees realise that the due diligence work that is required for that project has not yet been fully worked through.

We understand that MLAs will be concerned about the fate of specific branches in their constituencies. However, we are not in a position today to discuss the future of individual branches until we have fully worked through that process and informed our staff. I add that, when we are in a position to announce which branches will close, we will discuss the rationale for that with elected representatives. Given the concerns of MLAs and customers, we are happy to talk today about alternative arrangements that we will put in place for customers. It is worth pointing out that, even with further branch closures, the Ulster Bank will still have the largest branch network in Northern Ireland.

In conclusion, I want to make three points. I reiterate that we deeply regret the misunderstanding of the 2 July investor relations briefing. It was entirely preventable. There was nothing new in what we were saying, albeit the full context was completely missing. Our purpose was to explain to an audience of investors and analysts a road map to recovery out to 2016 that will put the Ulster Bank on a healthier footing.

The Ulster Bank has been providing banking services in Northern Ireland for 177 years, and it wants to play an important and positive role in its future. We are doing good business. We have agreed almost £80 million in new lending to over 500 companies through the funding for lending scheme. Since the property price peak, we have injected £1.5 billion in new mortgage lending, resulting in more than 15,000 new mortgages in Northern Ireland. We also contribute, financially and in kind, to sport, the arts and communities across the Province. As head of the bank here in Northern Ireland, and, as you said, more recently as head of the business bank, I look forward, with my team, to see how we can support the economy and community in the future.

I am more than happy to take questions.

The Chairperson: Thank you, Ellvena. I welcome your recognition of what took place last week. Following on from that, what steps will the bank take to ensure that what happened last week will not happen again?

Ms Graham: The key issue is to recognise one's audience. No context was given, and the presentation simply went out cold. It was up on a website an hour before our team even started to speak. In fact, some journalists, particularly in London, who do not have the context or the background of what we have been doing in Northern Ireland, picked up the number of 1,800 job cuts. That started an hour before our chief executive even started to speak. So that is the biggest learning point: to make sure that the context is given and that the presentation, if delivered to a wider audience, needs to show where we are on the journey. The content of the presentation ran from 2012 to 2016. It did not show where we are in mid-2013, so at first glance it all read like new news.

What have we done? We will recognise the audience. Our internal processes are now more robust, and that will not happen in the future.

The Chairperson: As for the reduction in staff numbers, you mentioned natural wastage and temporary staff. I declare an interest as a former employee of the bank, and I know that it employs a lot of temporary staff. Have you any idea about the numbers of temporary staff who will be affected?

Ms Graham: It is not only temporary staff. We have brought some people in on two-year fixed-term contracts. A number of them are doing specific projects, and we know that that work will not be needed in 2016. Some are working on specific change projects, others on things such as mortgage arrears, particularly in the Republic of Ireland, and restructuring. We recruited those people

specifically, and we know that, in 2016, when the economy should have recovered, we should not need so many people working in restructuring, managing collections processes and so on. As I said, we also have people working on projects that we know we will not need come that time frame. That is where the mix comes from.

We also have natural attrition. Typically, about 5% of our staff leave every year. My main point is that absolutely no more redundancies are required.

The Chairperson: You said that you must cut back 850 staff through natural wastage and the laying off of temporary staff. What percentage will be cut through natural wastage and what percentage through temporary staff?

Ms Graham: I do not have that number to hand today. You have to remember that that is across the island and that it is out to 2016, so it will not all happen at once. I do not have the breakdown of the numbers that you are specifically asking for.

The Chairperson: Do you have a rough idea? Do you have the figures somewhere?

Ms Graham: Do you mean the split between temporary staff and natural attrition?

The Chairperson: Yes.

Ms Graham: It will depend on how many people leave us through natural attrition.

The Chairperson: Presumably you will have made projections.

Ms Graham: It will depend on how easy it is for people to get other jobs, so our rate of attrition will fluctuate. Sometimes, if the economy is booming, we will have more than 5% attrition. It will honestly depend on how many people leave us. However, we know that we have people working on projects that are to do with legislation that comes into play in 2014. We definitely know that there are over 100 of them. We have big numbers working on projects whom we know we will definitely not need.

The Chairperson: Can you give us an approximate breakdown in writing?

Ms Graham: Of course I can do that.

The Chairperson: You said that the proposed branch closures are based on your analysis of the number of transactions. Is that the number of financial transactions? Obviously, in rural areas, people come in to have five or six meetings with the manager or a customer adviser before they make a decision to take out a mortgage and so on. How big a picture do you have of the activity in rural branches?

Ms Graham: We have good data now. It is not right across the piece, but we have reasonably robust data. We know about our transactions, for which we have hard data. I heard the question asked in the earlier evidence session. Since 2009, our branch transactions have reduced by 10%. That has happened in quite a short period. Our mobile banking app was not even being used in 2009, but it now accounts for 15% of our transactions. People are using their mobiles for checking balances and making payments.

Funnily enough, we also know that our telephone banking is reducing and our online banking is increasing. We can see the mix of the transactions, and we monitor them daily, but we also see trends quarterly and have good, robust data.

It is perhaps worth touching on the process that we go through before we close a branch. There is quite a bit of work around due diligence. It might be better for Sean to comment on the details, but we do quite a bit of due diligence before we decide. That is why we have not yet named the specific branches that we will close in 2014. We just know that we need to close some branches because we have too many.

Mr Sean Murphy (Ulster Bank): Thanks, Ellvena. I have been with the Ulster Bank for the past 18 years, and I have spent that entire time in the branch network. I completely understand the emotional

toll on our staff and our customers when we make a decision to close a branch. It is never an easy decision, but we consider a number of factors.

On a holistic basis, we look at our geographic branch coverage across the Province and the proximity of other Ulster Bank branches to the location that we are considering for closure. We look at customer numbers, footfall and the number of transactions that are going through that branch.

Importantly, we also give consideration to vulnerable customers. Although it is sometimes easy, using the data that we have, to identify a customer's age, for example, there is also some local data that we can take into consideration on the customers who come in and out regularly and who may not be able to be identified as vulnerable because of the data that we hold.

We take all that into consideration before we make any decision to close a branch.

Mr McGlone: It is good to see you. Perhaps we could be meeting under better circumstances. Every time I meet representatives of the Ulster Bank, it seems that we are talking about a self-inflicted wound.

I listened very carefully to what you said, and this really seems to be a mess. In trying to extrapolate, I have two main concerns. The first is the reduction in services, and the second is a concern for any staff who may be laid off.

What is your target for job reductions through natural attrition, and what is the time frame for achieving that target? How many of those jobs are likely to be removed in Northern Ireland?

Ms Graham: The number of 1,800 that has been quoted is an all-Ireland number, as was the 950. Of that 950, between 300 and 350 came out of Northern Ireland, so that gives you the split of the 950.

I would expect a reasonably similar split over whatever else we do not need in the future. It represents about two thirds in the Republic and about one third in the North. It was a very high-level forecast out to 2016. I know that we talked about 1,800, but the range is actually between 1,300 and 1,800. It is very hard to be specific at this stage because it is a four-year forecast. I have given you the split of the 950, which is the most concrete piece. I also know that we have some projects in train that we will not require when we get to 2016. I cannot give you the specific data that you are looking for, Patsy; I do not have it because it is into the future and these are simply forecasts.

I do not expect any more redundancies in the near term. I do not expect any more redundancies at all. I expect that, when these projects roll off, we will not need the people to do those jobs.

Mr McGlone: Do you appreciate that they are forecasts on which you will have to deliver?

Ms Graham: That will depend on whether the economy recovers and on whether our income grows. There are a lot of things that make the mix of a profit-and-loss account, needless to say.

Mr McGlone: So it is within the range of 1,300 to 1,800 in total over the next four years?

Ms Graham: Yes, that is right. That is what we expect.

Mr McGlone: You mentioned that you know that you need to close outlets. Clearly, if you know that, you know which outlets they are. If you need to close them, you would have a fair idea now of the potential for closures. I would be surprised if you did not.

What is the target for branch closures that you have in your head? If you have an idea of which branches could close, you obviously have an idea of the target figure for those closures. Do you have a ballpark figure and a time frame for those closures? Likewise, how many of those potential closures would be in the North?

Ms Graham: There are a number of questions there. We are expecting to have to close a number of branches in 2014. We have just completed 22 closures, five of which were branches and six of which were sub-offices in Northern Ireland. Is that correct, Sean?

Mr Murphy: It was seven branches and four sub-offices.

Ms Graham: That is a total of 11 in Northern Ireland of the 22 closures. We still have 79 branches in Northern Ireland, and I expect a relatively small number of those to close. I do not expect wholesale — to use a term that I have used previously — branch closures. That is not what I am being targeted on. In fact, I am not being targeted on that; I am looked at on a profit-and-loss basis as well as on customer satisfaction and any number of metrics that I am judged on, and not specifically on branch closures.

Nevertheless, I know that we have too many branches for the number of customers who are using them. We do not have a specific list yet. It will depend on whether we can get the funding to close them, for a start, because money is involved when we close a branch. We need to work through a number of issues. We genuinely need to go through the due diligence, which involves looking at the number of customers who are using specific branches. We just know that, at the moment, the trends in the numbers of transactions that are being made in our branches are reducing quite significantly.

Customers are not using our branches; there is not the same volume of footfall coming through our branches that there used to be. That is very clear. We need to close some branches.

Mr McGlone: If you know that you have too many branches, what is your baseline figure above which you have too many?

Ms Graham: I have 79 branches in Northern Ireland at the moment.

Mr McGlone: Yes, but you say that you have too many. If you have too many, "too many" must be above what figure?

Ms Graham: It is based on the number of transactions that are going through our branches, but as we said, we have a number of criteria. We look at the proximity of the branch. I do not want to close a lot of branches that would mean that customers would have to travel long distances. We have to look at that.

We will be genuinely happy to come here again when we have done the detailed work.

Mr McGlone: At the moment, you know that you have too many but you do not know, or are not able to share with us, precisely how many that "too many" is.

Ms Graham: I have been quoted as saying that the number is in single figures. I stand over that, but I honestly, at this stage, could not give you the number.

Mr McGlone: There are some reports that there is a Treasury discussion document that suggests that the Ulster Bank might be sold off to the Irish Government. I do not know whether that is just wishful thinking on someone's part, or, perhaps, not so wishful on someone else's part, or whether it is a proposal of any sort of substance. However, the Dublin media have been reporting that officials from the Department of Finance may soon meet their British counterparts for discussions on the Ulster Bank. Are you aware of any of that?

Ms Graham: A lot of that is speculation. Some of what you refer to was in an article in the London 'Times'. Certainly, a Treasury review has kicked off. I do not think that that has been specific about anything to do with the Irish Government or any such thing. I think that that was speculation that played out in some media reports in London. I am certainly aware of the review. It is a Treasury review that is due to go on for a number of months. We will play our part and get involved in that. However, I cannot foresee the outcome. I do not know where that will go.

Mr McGlone: I appreciate that. Thank you.

Mr D Bradley: Good morning. You said that the percentage of transactions that takes place in branches is, on average, 21%. What is the breakdown for urban and rural areas in that percentage?

Ms Graham: I simply do not have that breakdown to hand today.

Mr D Bradley: Could you get it and send it to the Committee?

Ms Graham: We could try to get that data. I know that that is taken off our systems. Our branches are not earmarked as "rural" or "urban" on our systems. So I do not know —

Mr D Bradley: Surely it would not be a huge task to get that information.

Ms Graham: We can certainly take that away and have a look at it.

Mr D Bradley: Where there will be branch closures — you said that there will be closures — what efforts have you made to do what the Consumer Council suggested in its information: in other words, to help people in the transition from face-to-face banking to online banking and other digital media?

Ms Graham: Do you want to take that, Sean? We have done quite a bit on that.

Mr Murphy: Yes we have. The first thing that we look at is the proximity of the branch to other locations. So, effectively, there will be an Ulster Bank branch nearby for a customer. An advantage for the Ulster Bank is that it does not actually matter where the home branch is: you can have real-time transactions, so you could go into any of our branches and do exactly the same as you could do in the branch to which your sort code belongs.

We also write to customers 12 weeks in advance of any closure to inform them that the branch will be closed and invite them to come in and speak to the local branch manager or one of the customer advisers. Part of that is to help to educate customers about alternative ways to bank with us. That could be taking them through a demonstration in the branch of our Anytime banking application, taking them through opportunities for mobile banking, or getting them to register for telephone banking. On top of that, and specifically for closing branches, we set our managers in those branches specific objectives to identify potentially vulnerable customers. As I said, the data on our systems will tell us age, but it will not always tell us that someone is fully financially capable. In our last phase of closures, we found that the best people to help to identify that were local branch managers on the ground who know those people, even if they make their trip to the bank once a month, and understand that they have a relationship there. So we ask the branch manager to identify those customers, make proactive contact and take them through a number of options.

It comes back to education on how to use internet banking and giving customers other options, particularly a post office or how to gain access to other branches. We had a number of examples in our last phase of closures. A manager in one of our branches took a visually impaired lady on the bus along the route to the new branch and introduced her to the branch manager so that they would have that ongoing relationship. She would use the branch perhaps once a month. However, it was important to us that we ensured that the relationship continued. We also ensure that we try to put staff from the closing branch into other branches in the locality so that there is still continuity for some of our customers who like to see the face that they have seen when they have gone into a branch, say, over the past 10 or 15 years. We recognise that even after going through all that, gathered those lists and asked the branch managers what they have done to help customers, whether they have been able to help them and whether the customers have been satisfied with what has been done for them, there are occasions when we have exhausted everything that we have tried to do for the customers and have accepted that there is not a viable option for them.

To that end, our next step, in any future branch closures, is to investigate the introduction of a mobile banking van. I know that representatives of the Consumer Council touched on that. We are advancing towards introducing such a van. We have a unique link with the RBS Group, which was the first bank in the UK to introduce a mobile banking van. RBS runs that van in rural locations across the UK. We have a blueprint for that — the map to copy, as such — and it is something that we want to introduce to those customers who will be particularly disadvantaged by any closures that we make in the future.

Mr D Bradley: In your opening statement, Ellvena, you said that you recognised that you had various audiences to address. I noticed that you did not include the Assembly or Assembly Members among them. In my experience, banks have not had a very good record of engaging with the Assembly or with individual Assembly Members. Do you have a strategy for improving that engagement?

Ms Graham: Thank you for that question; it is something that I should have addressed. Part of why I was appointed to the role was to engage with our stakeholders. This is probably my fourth visit to

Stormont since I was appointed in March, and I have met the First Minister, the deputy First Minister and the Minister of Finance and Personnel. Indeed, yesterday, we had the Finance Minister and some of his colleagues in the bank in Donegall Square.

We genuinely want to engage with you. I do not want to always have to come back — to address Patsy's point — on a negative note. We would welcome the opportunity to come back and meet you again. You can set the timescale but I do want to engage with you. I do not want you to be getting surprises about anything that we are doing. I would like to involve you and let you see our strategy so that you can understand where we are trying to go. I believe that Ulster Bank is important to Northern Ireland, so it is important for me that you understand where we are trying to get to and the various pressures that we have. I would welcome further and greater engagement.

Mr D Bradley: Thank you. Are there any plans to move any bank functions that are currently operated by Ulster Bank to GB?

Ms Graham: There are none that I am aware of, but that is me speaking about what I am aware of. Truthfully, I am not aware of any such plans. I should say, however, that we do move work around at various times. We use locations as far-flung as Chennai, Delhi, Poland, Southend, Manchester, Greenock, Dublin and Belfast, so the service that is provided comes from a very wide range of locations.

In fact, here in Northern Ireland, we provide services into the Republic. It is not always just that in one area, say, in the Province here, all the services are not provided by people sitting here in Northern Ireland. Likewise, as I say, we provide a service to the Republic, so work moves around fairly frequently. That is business as usual for us; it is not something that I would necessarily even know about.

Mr D Bradley: When you say that work moves around, what type of work moves around and what determines where it moves to and why?

Ms Graham: We keep our customer contact — people who are talking to customers — local, and we would always do that. However, we have, for example, two people in Manchester doing trade finance business for us. That is very important but it is also very technical. They have a large team who understand the various products that are processed on behalf of customers doing imports and exports; so we use that expertise. That is a good example; I was just talking to someone about that yesterday. So, we have two and a half people who sit in Manchester and do that for Ulster Bank customers.

It also depends on whether there is an area that provides specific expertise. If so, we will use it. If we need a lot of — I do not know what you would call it, "re-work", perhaps — done on something, then rather than recruit a lot of extra people here and have to go through training and maybe not get them trained properly, I will get the work done somewhere where there is the expertise, and that could be in Poland or wherever. We use wherever is best, but we employ over 2,000 people here. We have 2,165 people in Northern Ireland, so we still have a very strong base in Northern Ireland.

Mr D Bradley: Are there any plans to remove work from Northern Ireland that will entail job losses?

Ms Graham: Not that I am aware of, honestly. However, I want to emphasise to you, that this is a reasonably routine thing that various directors of business within Ulster Bank do. We move work around.

Mr D Bradley: OK. Thank you.

Mr McGlone: I would like a wee bit of clarity around the single-figure closures. What is the time frame for that please?

Ms Graham: I expect them to close in 2014.

Mr McGlone: What about after that period? Can you give any assurances about after that?

Ms Graham: I really cannot do so, Patsy. We will have to wait to see how branch and customer behaviour changes because it is genuinely changing rapidly. We will wait to see how things such as the mobile bank works out. That is something that we used to have in Ulster Bank. When I joined, we

had mobile banks. Someone told me that this is like something out of 'Back to the Future'. We need to see how those things work out. I also need to keep an eye on customer behaviour. Truthfully, customers are voting with their feet: they use our internet, telephony and mobile banking. We need to keep an eye on all that.

Mr McGlone: I must ask one very brief query while it is in my head. What about night safe provision for business customers? That was flagged up with me from within the small business community. People are concerned about that. They have to travel long distances to make deposits, leaving themselves, potentially, more susceptible to criminals.

Mr Murphy: I outlined that we write 12 weeks before we are about to close. We also write to business customers and, specifically, we task relationship managers with contacting those business customers who use night safe facilities in the branch that we are closing to arrange a suitable alternative night safe for them. That might not necessarily be the branch to which we are moving the other accounts; it might be a branch that would be more suitable for that customer. Equally, we are finding that there is a lot less cash going through a lot of businesses at the moment. There are a lot more online payments and transactions and card payments. So that level of cash is going down. As well as that, where there are particularly cash-heavy businesses, we have arrangements in place whereby their lodgements may be picked up directly from the business and transported directly to our cash centre for lodgement, rather than have to go through the branch.

Mr Weir: Thank you, Ellvena for coming to us. I share the concerns expressed, and I declare an interest as an Ulster Bank customer. I am not sure that that necessarily endears me to you.

Ms Graham: It does, actually. *[Laughter.]*

Mr Weir: All right. Purely from my side, then.

Mr McCallister: You would have a fairly healthy balance.

Mr Weir: I do not have quite your level of agricultural holdings, John, but that is by the by.

Mr Weir: There was a lot of concern at the time of the announcement on 2 July. Not only was it preventable, it should have been foreseen. However, everyone appreciates the fact that you have come here and faced up. You held your hands up and apologised.

Let me pick up on Patsy's point on the branch numbers. You mentioned the closures in 2014. What do you see as the lead-up time? Will the announcements be made in 2014 and the closures will happen later in the year? Or do you anticipate that there will maybe be an announcement towards the end of this year and closure in 2014?

Ms Graham: That is what we are aiming towards. Our branch guys will be doing the due diligence checks over the next three months. I hope that by November or December, roughly, we should be able to announce and the closures will happen next year.

Mr Weir: You mentioned earlier that you anticipate the potential job losses — and I am relating that to the number of branches to close — to be on a similar basis to those announced before: a 2:1 breakdown across the border. Would the same ratio apply to branches?

Ms Graham: Yes. It normally does because we have a lot more branches in the South than in the North. Since we bought over First Active, in particular, we have a lot more branches there.

Mr Weir: Sean mentioned earlier that, including the 22 branches already announced, you are looking at an overall closure of 50 to 60 branches. Can we assume, therefore, that across the island, we are looking at 28 to 38 closures? If that were pro-rata, we would lose somewhere between nine and 13 branches in Northern Ireland. Is that a reasonable, ball-park figure for what we are looking at?

Ms Graham: I go back to what we said earlier. Those are high-level numbers, which are provided to investors. Each case must be looked at individually, and we need to look at the business case as to how we even fund the closure of a branch. It is not just a given that we can go off and close branches.

Mr Weir: Let us turn to job numbers. Potentially, there is quite a fluctuation in job numbers. Once you take into account the 950, if you are talking about 1,300 and 1,800 in total, that is then anywhere between 350 and 850. That is quite a wide ball park. If I picked you up correctly, your assurance was that this would be met purely by natural wastage and the ending of short-term contracts as particular projects come to an end. They finish, and you do not need to renew the employment contracts. As to the fluctuation in numbers, you mentioned that you have a rough idea as to what level of natural wastage will occur but, obviously, you cannot be specific from year to year. Is one of the variants in calculating the numbers of staff that will be made redundant the fact that, if you get a slightly smaller number retiring in a particular year, the number of lay-offs will be reduced and, if a slightly bigger number, it will increase? If you cannot project specifically how many will go in a particular year, how will you manage that fluctuation?

Ms Graham: As I said earlier, we have people whom we recruited on two-year contracts. They will definitely finish in that period. We have hundreds of people on two-year contracts, brought in for specific purposes. To be honest, that takes care of a large portion of that. I go back to this point: if the economy recovers and if we see a lot of new business and growth, those numbers will be different. That is why I genuinely cannot give you exact numbers.

Mr Weir: I understand. I am trying to establish that there will be some level of variation on the specific project side of it. Particular people will finish. However, you have said that the job losses will come from purely two sources. I am trying to work out whether you have in mind a rough figure that fluctuates according, not just to the economy's behaviour, but also to the number of natural wastage. If, in one year when the economy is such that there are relatively few jobs out there, the number of people that you would anticipate for natural wastage is 100 people fewer than you would normally expect, does it mean that there will be 100 fewer redundancies? In what way will you use the natural wastage to vary the figures?

Ms Graham: I gave you a natural wastage figure of roughly 5%. That is the lowest it is, ever, and it can be much higher than that. I have not seen it any lower, even in the time that we have just been through, when, you would imagine, staff would not leave — but they do.

Mr Weir: I appreciate that you do not have the exact figures here, but you referred to changes in banking trends. A lot of us accept that, anecdotally. The problem, and the Consumer Council highlighted this, is that there does not appear to be a great deal of direct evidence for the level of reduction, in footfall and transactions. Can you supply us with some evidence of how your banking patterns have changed? Is there any comparable data from other jurisdictions?

Clearly, if you are making changes to the number of branches and staff, we would want to know whether the percentage trends in Northern Ireland are moving in the same direction, and more quickly or more slowly than in other jurisdictions, to see whether it is appropriate. One of the points, although maybe highly anecdotal, is that perhaps the culture of banking can be a little bit different in the way in which people look at it in Northern Ireland compared with other areas.

Ms Graham: I think that that is true, but the data that I gave you was specifically for Northern Ireland.

Mr Weir: Can you write to us with more specific data on that?

Ms Graham: I can see what we have. We probably have numbers for footfall. I am sure that we can provide that.

Mr Weir: Obviously, any form of redundancy is fairly painful, particularly for the staff. There is also a knock-on effect for customers. If people see an evidence base that provides the reason why something has to happen, I think that they will say, "We do not like it, but we can accept it." However, if it is on a much vaguer basis, I think that people have a lot more difficulty buying into it. I think that that evidence would be useful if it were provided.

Ms Graham: We will see what we have back at base.

Mr Girvan: Thank you for coming along this morning. Bankers are held in the same level of esteem as politicians, so you receive the same amount of sympathy. At the outset, there is probably a lesson to be learnt about what was put out in a press statement or ended up on the internet prior to

consultation and delivery with those whom it would directly affect and how that has potentially left you firefighting from that position. We will park that issue.

RBS was bailed out with £48 billion from the British taxpayer. I think that £14.3 billion went to the Ulster Bank. As a consequence, your final figures for 2012 showed a £1 billion loss. Therefore, it is very much the problem child of the RBS Group. I am painting a very black picture, but bear with me. This is about customer confidence and how that can be brought back, considering that it took so long to resolve what was presented initially as a small internet glitch and a software problem that would be resolved. All the other departments in RBS, such as NatWest, got sorted out, but the Ulster Bank dragged on for months. The general public saw it as them not really mattering. They wondered what was going on. The message needs to go out from you; you need to ask, "How do we bring that confidence back to those people?" You need to say, "After all that we have been through, we still respect you and value you as customers, and we want to ensure that you are still there in six months' time."

Ms Graham: You are right: no one particularly likes bankers or banks these days. That is the way life is. Since I came into the role in March, I have spent a lot of time out there. I spent three days at Balmoral, because we were the lead sponsor. We are still doing a lot with the arts and education in schools. We are doing as much as we can through RugbyForce, GAA and all those various initiatives to let the communities know that we are here for them and that we want to be part of the communities. We do not want to be just something that is sitting in an ivory tower somewhere. That is one of the things that we have been doing. We also have pretty hard numbers to back up in terms of our lending and doing business with customers and new start-ups. Richard, you might want to talk a little bit about what we are doing in that regard, and I will come back to it.

Mr Richard Ennis (Ulster Bank): In 2012, we lent approximately £180 million of new and increased facilities to small and medium-sized businesses. As you know, we were the first bank locally to join the Bank of England's funding for lending scheme. We have lent to over 500 businesses through that and agreed facilities of over £80 million. In the year to date, we have signed up in excess of 800 start-up customers. To give you some context, that is broadly similar to what has been done in the South, so a very strong number of start-ups are coming through. In the past three months, we have identified 50 people to be new business development managers. They are out seeking new business opportunities and telling the marketplace, "We are keen to do business, and we have the funds to lend." Ulster Bank in the North has a very healthy loan/deposit ratio. We have those funds to lend, and we are going to do that, because that is part of being a viable bank going forward.

Mr Girvan: Some people are coming back to us and saying, "That might very well be the case; you hear about new business", but we also hear the horror stories on the other side from certain people with viable businesses who are being screwed into the ground, because their overdraft has been reprofiled as a loan or whatever, and who have been told that they have so many days to clear their overdraft facility as that is being withdrawn from them. Some of them have very viable businesses, one of which was mentioned on the radio earlier this week. If that is the case, how do we deal with those sorts of people and tell them that you are lending to new business but that you are also trying to deal with them?

I know that we are not here to go through that. We are dealing with the outworking of a reduction in or the rationalisation of the number of branches, how that will impact the public and your staff and how it will be managed. I think that 82% of the group is owned or paid for by public money: that is a very high percentage. We have to go out to consultation on absolutely everything, but it seems like very little consultation has been carried out on this. Not every bank is in the same position. Some banks have not accepted public money and have not been subject to the same help. However, I think that certain banks have more of a duty to engage and ensure that they show that conscience to the public.

Ms Graham: Going back to the point that I made to Dominic, we genuinely want to engage with you as public representatives. That is what we want to do, and that is important to me. I am not long in the role here, but that is what I want to do. I do not want us to be seen as distant from you. So that would be good for us. One of the things that I am trying to do is restore confidence, internally and externally, in the brand of Ulster Bank, because, as I said earlier, we are here 177 years, and I have been in the bank over 30 years, so it is important to me that we can restore pride and — you used this word — confidence. That is important to us — genuinely.

The Chairperson: I just want to follow up on that point. Economic growth is obviously dependent on the banks' willingness to lend to businesses. I have dealt with a number of cases involving Ulster

Bank, and they are, to be frank, quite frightening. One group that has been flagged up to me is the global resources group, referred to as Ulster Bank's internal bad bank, which is forcing customers to sell assets. These are good, loyal customers. We are all aware of different cases involving customers who have never missed a payment in their lives. In many instances, they are, as far as I can see, being screwed over quite ruthlessly by Ulster Bank in order for it to clear its loan books. The bank's figures are improving, but that has come at a huge cost to many people in our small and medium-sized businesses.

Ms Graham: Obviously, I cannot talk about individual cases here. You referred to one earlier, but I just cannot do that. I would say that there are two sides to every story. This is one of the things that I discussed with the Finance Minister yesterday. I do not believe that we are doing that — to use your words there — with viable businesses. There are two sides to every story. We are genuinely trying to be fair to customers. That is the premise that we are working on. It is not about trying to put businesses out of business here. That is not what we are trying to do. You referred there to our global restructuring group. Yes, we have a team, and that is what they do. They are trained to work with customers who are in difficulty. That is what they do day in and day out, but I would not have used the words that you used there about the bank.

The Chairperson: Well I would. The banks have all changed their approach to risk, and there was a need for that, but I think that they have gone over the top. These cases involve viable businesses, and the small print in a lot of these contracts is being used to flush them out, even though they are willing to negotiate with the banks. They are coming forward with reasonable proposals for repayments to keep their businesses afloat, but they are just coming up against a brick wall.

Mr Ennis: On the point about the global restructuring group; we expect somewhere in the region of £200 million to come back into the mainstream bank — if you want to call it that — in the coming year and further customers' trading businesses to come back from that division in 2014. As Ellvena says, there are two sides to the story. A lot of hard work and customer engagement is being done to try to get those viable businesses back into more normalised lending.

The Chairperson: On that point, RBS has said that it will give £20 billion to small businesses. What proportion of that will go to Ulster Bank, and what proportion of that can be used for small businesses?

Ms Graham: None of that will come to Ulster Bank; it is a purely GB number. We already have capital to lend. If you look at our loans versus deposits, you will see that we have more deposits than loans. We have capital to lend. That is why I referred to the funding for lending scheme, for example, to which we were the first local bank to sign up. We are genuinely trying to do business with customers. We have participated in any of the Government schemes that aim to try to help the economy to grow. That £20 billion is not really all that relevant to us because we have capital to lend as it is.

Mr McCallister: I declare an interest as an Ulster Bank customer. It is almost literally all overdraft, although I think that I have £14 in one account. I also have an RBS mortgage, so, obviously, I would be happy enough with a computer glitch that wiped that out. *[Laughter.]* Moving to some of the serious points that we have been discussing, I agree with one made by the Chairperson and Paul. On the ground, I hear, in respect of every bank, about the difficulties of financing business, approaching banks and the levels of security required for business start-ups. I hear that across my constituency, and I am sure that colleagues in other constituencies do too.

You mentioned that 21% of transactions are completed in branches. Do you have a target of what you think that that figure is likely to drop to in the next five or 10 years? I suspect that the banking of even colleagues around the table will have changed remarkably. A point that is often made to me is that branches do not suit people who work from 9.00 am to 5.00 pm job because they are never open at other times. I do not know whether many of your branches open on a Saturday morning or out of normal working hours.

The two groups that I am most concerned about are older people, who may not be as keen on internet banking, and small businesses. Patsy touched on this. I have huge concerns about businesses that have volumes of cash to lodge and need to be able to walk down the street to do it. Real damage can be done to a town. My nearest town is Rathfriland, which has already lost Danske Bank and Bank of Ireland. If it were to lose another bank, that could be catastrophic for the town and the idea of having businesses there. An awful lot has to be done to reassure those people in particular.

The Consumer Council also needs to be involved. I know that this is not necessarily something that you will want to hear, but how do you help consumers by making it easier for them to switch banks? I know that none of you wants to lose customers. You might gain customers if it were easier for people to switch banks. It just seems so difficult for most people. Perhaps you could tell us how many customers you think you lost this time last year because of the glitch.

Ms Graham: Interestingly, we lost very few customers. Our deposits actually grew through that period.

Mr McCallister: That was because people could not get their money. *[Laughter.]*

Ms Graham: That growth was happening even six months thereafter and into this year. There are two sides to this: there is huge customer loyalty as well. You might think that, when a couple of banks close in a town, the most natural thing, if the customers like to bank in that town, would be that they all move to the bank that is left. However, that is not what happened; typically, they go with their existing bank.

Mr McCallister: I suppose that this is the nub of it: is it loyalty to the bank or just the dread of changing?

Ms Graham: There is a churn on customer accounts all the time. New industry account switching legislation will become law in the autumn and make it easier for customers to switch banks, and we are ready for that. It is getting easier for customers to switch.

I do not particularly like talking about last year, but our customer base showed huge loyalty to our staff. There is a genuine loyalty to our bank, which is really good. I would like to think that we work with customers and that we earn that loyalty rather than it just being given to us. Customers do not naturally switch when a branch closes, which we find interesting. A lot of other banks have been closing branches quite aggressively over the past couple of years, but that does not lead to a big influx of customers to us.

Mr McCallister: When it comes to small businesses and, particularly, older people who do not want to move to internet banking, you can readily identify the customers whom you need to target and work with. Given that your target date is 2014, are you doing that?

Mr Murphy: That is right. The first of two points to make is that there is no specific target to reduce transactions in branches. That has been happening over the past number of years because customers —

Mr McCallister: Perhaps, more than your targeting a reduction, where do you see it heading naturally?

Mr Murphy: I see the type of customer transaction changing. More and more customers, even in the research that the representatives of the Consumer Council mentioned, are saying that there were things that they wanted to do in their branch that they believed that they could not do on the internet. That is an education in which all banks have to engage to show that many transactions can be done online, directly or through telephony without having to come into a branch.

That does not mean that we believe that there is a future in which there will be no face-to-face banking. Customers will still want to speak to someone; they still want to see a face. They will go on a certain level of a journey whatever the nature of the financial transaction, should it be something massive like purchasing a first house, changing a mortgage, or whatever. There will be aspects of that journey for which they will be quite happy to go online until they get to the point at which they want the assurance of speaking to someone so that they know that they are doing the right thing.

We are absolutely committed to making sure that we have the right type of bank that meets those customers' needs so that when they want to speak to someone, a staff member will be available. It is about the way in which transactions are changing rather than the number of transactions going down or going up. More and more customers use the internet for different things, but we recognise that we need a face-to-face presence, in whatever guise, to ensure that our customers stay with us and recommend us to other people so that we can grow as a business.

Ms Graham: It is fair to say that we are surprised by how quickly transactions have changed. If you had asked me, even a year ago, to predict how many customers would use our mobile banking, I would certainly not have predicted that it would be anything like 15%, which is what it is now. When you ask me to predict things like that, I honestly cannot.

Mr McCallister: I was probably surprised at the figure, but then I ask myself when I was last in a branch.

I have serious concerns about older people having access to online facilities, the closure of branches and transport links to other towns. What is the backup? What are the alternatives? Where can we find places where cash points can be easily located? Will they be maintained? There was a lot of concern and uncertainty, not necessarily with Ulster Bank but when other banks closed branches in my constituency, about what the alternative arrangements were going to be. The important thing now is to use the intervening period to give certainty to the customers who will be affected. That is why I have not been definitive about which branches we are talking about. The information is out there and creates a lack of confidence, or reduces confidence still further, where we do not need it. I also have huge concerns about businesses wanting to lodge cash.

Mr Murphy: Specifically, that is why, when we announce closures we ask our branch managers to identify their elderly and vulnerable customers, and we follow up with them. We want to ensure that they have been given alternatives, talked through the alternatives and given reassurance about what they can do when the branch in their town closes. The introduction of the mobile banking van should also help to alleviate some of those concerns.

Mr Cree: Ellvena mentioned the 177-year illustrious history of the bank. I appreciate that you have been there for only 16% of that time, but the bank has certainly taken a few knocks recently.

In 2011, the breaking of three liquidity rules cost the bank some £2 million. I do not understand that or whether it was significant. I appreciate that although you provide a community service, you are not a community service provider, full stop — you are a business. Therefore, things commercial must come into it.

We are none the wiser about last year's IT glitch. Again, I should declare, Chairman, that I got two £25 payments out of that deal.

Mr McCallister: You did better than me.

Mr Cree: They must have cleared my overdraft. *[Laughter.]* We do not know that that cannot happen again, which is an ongoing concern.

This year, what I can only describe as a naive press conference has not done any good.

Last year, the Ulster Bank lost £1 billion. It has been quoted, and I would appreciate knowing the facts, that this was the only loss-making division in RBS. Is that true?

You mentioned the van. That is a new one; I had not heard about the van. I am not too sure whether I am happy about that. Kiosks in shopping malls were also mentioned. Is that a runner?

Ms Graham: Absolutely. You have asked me a lot of questions. I will start with whether we were the loss-making division in RBS. Yes, last year, we were. A lot of other divisions had been loss-making, but the Irish economy, North and South, has, possibly, been slower to recover than those in other parts of the world. There is no doubt that that is not a particularly comfortable place for us to be.

You asked about the van. It is a mobile bank. Did I call it a van? That is what I remember it as. Sean, you are probably quite offended by that. Let us call it a mobile bank. Sean, you may as well talk about the points of presence, as we call them — the kiosks.

Mr Murphy: We are looking at a number of concepts. Again, it is back to looking at customer behaviour, how customers will want to interact with us, the different things they will want to do on a face-to-face basis versus what they want to do online and making sure that we have the capability to match those needs. So, yes, we will certainly look at a point of presence in a shopping centre or railway station, for instance. Wherever we believe will be more, and most, beneficial to our customers, we will look at that location as an option for the future.

Mr Cree: Your chief executive, Jim Brown, referred to the Ulster Bank in Northern Ireland being quite different from the Ulster Bank in the Republic of Ireland. That seems to be significant because we hear of different situations in the two jurisdictions. Will you expand on that? How different are they, and how relevant is that?

Ms Graham: They are quite different. The main factor for us is that we have the larger market share here. With 25% of retail banking and 30% of business banking, we are the leading bank here in terms of size. We have the largest branch network. Ulster Bank in the Republic is very much what I would call a "challenger brand". It is behind the larger banks and very much smaller. It grew rapidly during the boom whereas Ulster Bank here has very broad coverage across the Province. I do not need to go over it again, but it has been here —

Mr Cree: For 177 years.

Ms Graham: That is it. Ulster Bank in the South is very well represented above the line from Dublin to Galway; it is not so well represented below that line. So there are any number of differences between our market positioning in the South versus the North. It is just different here. The two economies are different anyway. There are any number of differences, including different regulators and currencies.

Mr Cree: Perhaps, you would return to the liquidity rules. What does that phrase mean?

Ms Graham: Richard may be able to explain that better. It may have been a capital ratio, whereby we did not have sufficient capital in reserves to meet some regulation. I think that it related to that. I remember that it was corrected very quickly. That was way back in 2011, as you say. It was fixed very quickly, but, again, it should not happen.

Mrs Overend: Thank you very much for being here today. It is good to be part of the Committee for this briefing.

You have not decided which banks will close. What data you will use to make those assessments? Is that data complete now? If there are fears that a branch will close, there may be a campaign to keep it open and, therefore, an upsurge in transactions. Will that data be taken into consideration?

Ms Graham: We will use data that is very recent. Due diligence will be done between now and when I come back. We should have that by October or November. The data will certainly be current.

Mr Murphy: We know the number of daily transactions, and we get and look at the data weekly. We know the number of customers served and the type of transactions carried out in each branch. That is one of a number of parameters that we will look at. Obviously, we will also look at the location of a branch and our geographic coverage in the area. We want to ensure that we continue to have proper geographic coverage. The answer to your specific question is that we look at the data regularly.

Mrs Overend: You will take that into consideration from now on?

Mr Murphy: We absolutely will.

Mrs Overend: That is good to know because there are a few such campaigns.

You talked about the number of staff briefings. How far down the staff chain do they go? Do you feel that they are successful with regard to the morale of all staff?

Ms Graham: The briefings have been very successful to date. Jim has given 34 of them, and every single level of staff attends. They are, probably, weighted more towards junior staff than senior staff because Jim sees the more senior managers more regularly. These briefings are happening all round the country in locations where local branch people can attend. They have been good and very well received. We have been open and transparent with staff in saying that we are in a difficult place; that we are on this strategy until 2016; and outlining the progress that we have made. It is quite reassuring to people. So far, feedback has been very positive.

Mrs Overend: Thank you.

You mentioned that short-term contracts would not be renewed. Do the staff affected already know that their contracts will not be renewed?

Ms Graham: Yes. Many people were signed on two-year contracts, so their contracts had a start date and an end date when they joined.

Mrs Overend: That was clear?

Ms Graham: It was specific.

Mrs Overend: So it is not as though they expect their contracts to be renewed but will hear otherwise.

Ms Graham: Not at all.

Mrs Overend: That is great. Thanks.

The Chairperson: I want to end with a couple of quick questions. A number of months ago, the Assembly debated interest rate swap agreements. Most banks, including Ulster Bank, were implicated in the mis-selling of some of them. That particular product was sold along with guidelines. However, there were a number of very concerning cases. Have offers of compensation been made by the bank to any of those to whom the agreements were mis-sold?

Ms Graham: No. We are participating in a review to see what went wrong and identifying whether anything did go wrong. I am genuinely not aware of any specific compensation paid to customers.

The Chairperson: A number of customers have come to us wanting to get over this difficulty because it is causing problems for their business. They want to clear it, make a payment and move on, but they are having some difficulty in doing so. Perhaps, you would look at that, see what can be done and report back to the Committee.

Ms Graham: We will certainly take a look at that.

The Chairperson: Ellvena, Sean and Richard, thank you.