Northern Ireland Assembly

Committee for Enterprise, Trade and Investment

OFFICIAL REPORT (Hansard)

The Future of Ulster Bank: IBOA — The Finance Union

10 April 2014

NORTHERN IRELAND ASSEMBLY

Committee for Enterprise, Trade and Investment

The Future of Ulster Bank: IBOA — The Finance Union

10 April 2014

Members present for all or part of the proceedings:
Mr Patsy McGlone (Chairperson)
Mr Phil Flanagan (Deputy Chairperson)
Mr Steven Agnew
Mr Sydney Anderson
Mr Sammy Douglas
Mr Gordon Dunne
Mr Paul Frew
Mr Fearghal McKinney
Mr Mitchel McLaughlin
Mrs Sandra Overend

Witnesses:

Mr Larry Broderick	IBOA - The Finance Union
Mr Séamas Sheils	IBOA - The Finance Union

Also in attendance
Mr Daithí McKay MLA (Chairperson, Committee for Finance and Personnel, Northern Ireland Assembly)

The Chairperson: Briefing the Committee are Mr Larry Broderick, who is the general secretary of the IBOA, and Mr Séamas Sheils, who is the communications manager. You are both very welcome today, and I thank you for attending on an issue that we have been on for quite a while. We have been in fairly frequent correspondence with you and others about it. There is the issue of services and of jobs in the community and the issue in general of the operation of banks. You are probably aware of how we deal with things here. You have up to 10 minutes to make a presentation, and then we will have a question-and-answer session for members. Again, thanks very much for being with us.

Mr Larry Broderick (IBOA - The Finance Union): Chair, thank you very much indeed for your invitation, and, colleagues, thank you for taking time out to listen to our perspective. First, Ulster Bank has a very important role in the Northern Ireland economy and, indeed, in Ireland as a whole. I represent over 4,500 members in Ulster Bank, and they are very proud of the service that Ulster Bank provides and its role on the island of Ireland, particularly in Northern Ireland.

Our concerns about Ulster Bank go back a number of years, particularly to do with the decision to engage with RBS so many years ago. I suppose that all of us are aware of the changes that have taken place in banking, but we were particularly concerned about the problems that the outsourcing of Ulster Bank IT work to the UK created, particularly for customers, staff and the public at large, both in the North of Ireland and in the Republic of Ireland because Ulster Bank is a good brand that provides a good service and is a good bank on the island of Ireland.

Over the past number of years, it has been very clear that there is a very strong direction regarding the issue of banking on the island of Ireland, dominated by the RBS board. The big concern that we had up to November of last year was about the future of Ulster Bank in Ireland, particularly as banks in other parts of the country started to decide to outsource and move away out of this economy. I am glad to say that RBS gave a commitment in November that it was committed to Ireland, and that is very welcome. Indeed, at that time, it identified that there would be a very significant review of all of its operations, including for Ulster Bank on the island of Ireland. In February of this year, there was an expectation by staff, customers and us that there would be an announcement that would give some direction to the future of Ulster Bank as part of that review. That particular announcement was very general; there were no details. Like you, staff and customers had a lack of clarity about how this particular review would impact on Ulster Bank, particularly in Northern Ireland as well as in the Republic, how it would impact on jobs and how it would impact on customers.

It is fair to say, as you identified, Chair, in the documentation presented to the Committee, that a number of interviews that were given by the chief executive, Jim Brown, seemed to indicate that a plan is in place for fairly radical restructuring of Ulster Bank. The public communications seem to indicate that the bank intends to reduce staff from 5,600 to between 4,000 and 4,500. That is a significant loss of jobs. It also seems very clear that there is a very strong plan to reduce the number of branches from 214 to 174. That would also be very significant, particularly in your constituencies, for customers and for services generally.

It has been speculated that the bank is looking at a regionalisation of the bank in Northern Ireland but, with RBS across the water, that could have implications. There is also very clear speculation that the bank intends to engage in some form of outsourcing of work. Some outsourcing of work has taken place, and there seems to be plans for further outsourcing. There is also a very clear plan to dispose of significant distressed assets, which is about £9 billion of assets, that the bank tends to indicate it needs to address over the next three years. There will be issues with that.

By and large, representing staff, we are here to say to the Committee that it is important, as we sit down to engage with the bank on behalf of our members and, I am sure, customers, that we try to ensure that Ulster Bank retains a viable operation into the future on the island of Ireland. The questions that we have posed to the Committee are very clear. If there is going to be branch closures, how many will impact on branches and customers in Northern Ireland? What is the impact on staff? What are the criteria? There are many issues that need to be addressed, and commitments were given to the Minister of Finance and Personnel in Northern Ireland in the past about a very marginal reduction of branches. We need clarity on where that is at this point. We are also unclear about the significant numbers of job losses, where they will be and how they will impact. We have genuine concerns about that.

I touched briefly on the issue of outsourcing. We are concerned that there will be plans to further outsource jobs, not just within the UK but elsewhere, and that will potentially have a significant impact on customer service as well as on staff. I mentioned the resolution of the distressed assets, and progressing to get rid of distressed assets could have an impact on the Northern Ireland economy. There is also the issue of the review of property.

We are basically saying to the Committee that this is a very uncertain time for staff, for customers generally and for the brand and image of Ulster Bank. We believe that there is a unique opportunity for us, bank management and you to put the maximum pressure on RBS to ensure that whatever plan is proposed takes cognisance of staff needs, customer needs and the fact that Ulster Bank is an important organisation that is key to the successful operation of the economy in Northern Ireland. We are hopeful that we can all work together to address those issues in a constructive fashion. We have agreements with the bank to address the issue of redundancies. We will go into discussions, commencing this week, with the bank, and we believe that we will be engaging in an overarching agreement. It is very important to us and our members that those agreements are met and, where there is change, it is done by agreement. I very much welcome the fact that the chief executive of RBS has committed to engage with my union in the context of that change, but there needs to be a broader approach to ensure that, in the change, Ulster Bank remains in Ireland and that Ulster Bank is a significant player.

One final thing that is a cause of concern to all of us is the speculation in the media that the bank may decide to either sell off its operation in the Republic of Ireland or evolve into some sort of other entity. That could have very serious implications for the operation of Ulster Bank on the island of Ireland. So, there are many issues that we are highlighting before the Committee. The Committee is aware, from its previous engagement with us and others, of the importance of Ulster Bank and the need to address this issue, and it is timely that we are meeting today in advance of what I think will be very difficult negotiations in the coming months.

The Chairperson: OK, Larry. Thanks very much for that. I read through your briefing document last night, and I need to ask you a couple of questions based on that and on what you mentioned. There is an article here from Jim Brown that says that Ulster Bank employs about 5,600 staff and has 214 branches. He specifically says that the staff numbers will go from about 5,600 to between 4,000 and 4,500. That means that 1,100 to 1,600 people will be gone. The number of branches will be down from 214 to 175.

I have a couple of questions to ask you, and then I will open the meeting to the floor. He seems to have particularly pointed the finger in the direction of 1,000 staff who work on legacy real estate issues and mortgage arrears. Have you picked up on that from previous correspondence with the bank?

Mr Broderick: I suppose that the difficulty is that, other than speculation and what we are reading in the media, we are not very clear on what the plan is. The number of members of staff involved in what are called those legacy issues is about 400. Some of them are contract staff and some are permanent. Therefore, with regard to the numbers that have been speculated, and given the scale of the overview of the reductions, I think that there would be staff reductions right across the board. Staff in that area are faced with a scenario whereby, if the bank achieves its objectives, those jobs will all go within a three-year timescale; indeed, probably earlier than that. However, with regard to the other jobs, we speculate that they would be in head offices and branch banking.

The Chairperson: Could you expand that a wee bit for me? The issue of contract staff seems to have popped up quite frequently throughout as a recurring theme. How long are those staff contracted for? Obviously, they must be particularly nervous about their situation.

Mr Broderick: The staff are normally contracted for 12 months or two years. They are normally on a short-term contract. In fairness to them, there is recognition in the context of the work that they do that it will be of a short-term nature. Our concern is that the vast majority of those redundancies are probably full-time permanent staff who have very, very long service.

With regard to the assets and the staff who work in the resolution of the assets for disposal, a lot of them are skilled staff who have been brought in to do a particular job. So, there is an expectation that that will be short-term work, but there are some very key long-term staff in that area who are probably the most vulnerable. Our concern relates to all the permanent staff in the organisation, not necessarily those who are on short-term contracts, which, by their nature, recognise that there is a limited tenure of employment.

The Chairperson: With regard to the review and the announcement that was to take place, you referred particularly to engagement with the union. What has been the scale of the bank's engagement with the union?

Mr Broderick: Other than a commitment to engage, the bank's position to date has been that it cannot clarify its position. We have not had any intense negotiations whatsoever, despite the fact that, since last November, we were aware of a review, and despite the fact that, since February, there has been an announcement about the nature of that review. The bank has confirmed to us that, when it clarifies its plans, it will sit down and negotiate with us. The chair of RBS has clarified that there would be engagement with us in line with our agreements, and that is welcome. The difficulty that we are faced with is the fact that it is all speculation and we do not know any details.

The Chairperson: So, there is no dialogue from the bank at all with IBOA on the review.

Mr Broderick: No. The bank confirmed to us that, when it clarifies its plans, it will engage with us on the review.

The Chairperson: OK. That is grand. I know, members, that a lot of our questions will be on particular issues for the bank and that this is a bit of a scoping exercise to pick up on other themes from the IBOA.

I will introduce the Chair of the Finance Committee.

Mr Daithí McKay (The Chairperson of the Committee for Finance and Personnel): Thank you. You make a good point, Chair. The issue that I will be raising with the bank is about the global restructuring group (GRG) and RBS capital resolution (RCR), which you addressed a couple of times in your briefing paper. For the Committee's benefit, could you outline how RCR compares to GRG? Is it simply a change of title? Will it still be doing some of the alleged practices that were outlined in the Tomlinson report? What has your experience been of it since its introduction?

Mr Broderick: With regard to what is now happing with GRG/RCR, RBS has identified the stress loans to have a reporting relationship to RBS across the water and has headed up somebody from RBS to manage that out within the context of Ulster Bank. The plan appears to be that, within three years, the bank intends to precipitate and hopefully resolve those issues and have those loans dealt with. As I said, there are 200 to 250 permanent staff in that area, and the balance are contracted staff. From our point of view, we await further engagement about how it would impact on those permanent staff if they were to be redeployed as we have an existing agreement elsewhere in the bank.

Mr McKay: From the Finance Committee's position and from this Committee's position, we want to see the Ulster Bank come out the other side rebalancing its books. There is always that question of how it does that. I have great concerns about some of the anecdotal evidence that we have heard about the experience through GRG. There is a three-year target to resolve the issue of the £9·5 billion worth of impaired loans by the end of 2016. Do you think that, with what has been done to date with small and medium-sized enterprises (SMEs) to balance the books, there may be a chance that this will intensify and get worse before it gets better?

Mr Broderick: That is probably a question that would be better directed to the bank. My own judgement on it is that, in any operation, whether it is a bank or anything else, certain principles should apply. As far as we are concerned, with respect to the impact on staff and the impact on customers, there must be fairness and transparency, and other procedures must be followed through to ensure that it is done orderly and is fair on everybody. As you know, there is an investigation going on regarding the RBS group. That is probably a question that you are better directing to the Ulster Bank.

Mr Flanagan: Thanks for your presentation. It is good to see you again. I think that we all agree that there is a need for clarity and certainty for staff. Uncertainty has a serious negative impact on staff morale, so we all want to see that sorted. From a Committee's point of view, we would be concerned primarily about the provision of services, particularly in rural areas, and about the impact on employment on the wider economy.

We all accept that the nature of the way that people bank is changing. More people use online services and telephone banking, and I know that the way that I bank is different from many other people because I avoid a branch whenever I can. Has the union considered how existing staff can play a role in that continuing changing nature of banking?

Mr Broderick: Absolutely. We recognise that this industry, outside its financial difficulties, is going through phenomenal change. One of the features of the last two agreements, when there were to be significant redundancies in 2010 or 2011 when they talked about the issue with regard to the integration of First Active with the Ulster Bank, for example, and the target operating model, and they reduced staff by over 950, was the redeploying and upskilling of staff as part of the opportunities to be made available to them, which we were involved in. We have a very successful contact centre in Northern Ireland. There are very successful supports in the Dublin mortgage centre (DMC) for operations like that, and we recognise that there will be a change. As a union, we recognise that, given our broad experience not only in Ireland but internationally, banking is changing, but it is a question of creating a balance to provide opportunities for people who want to have, in reasonable places, the opportunity of going to a branch and other facilities to accommodate staff.

We are not against change. We recognise change. Our argument is to go about it in a fair and reasonable manner. Our concern at the moment is that we are unclear about the extent of the plan and about the necessity for the plan. We are also fearful that, if the plan is focused on purely reducing cost, the benefits to the customers and the economy could well be lost.

Mr Flanagan: One of the big problems with the financial crisis was that people in the banking sector were overly encouraged to sell products that people maybe did not want. Is the way in which your members' salaries and bonuses are made up still largely target driven and based on selling products and incentives around that?

Mr Broderick: First, nobody in the Ulster Bank has received a pay increase for the past four or five years. So, there have been no increases. We have a structure with the bank that focuses on the payment of salaries based on an agreed process. One of our arguments in the past was that, even though it is not incentivisation through commission, the bank has insisted on individuals accepting targets for sales as part of their appraisals process to achieve a salary increase. We have always argued that that is misleading. It is not helpful. People cannot take responsibility for something outside their control. That debate goes on between us and the bank. It will commence again now that the bank is beginning to recognise that there is a need for a change in salaries and to put salaries back on the table again in the context of trying to get into the black.

Although there are not commission payments to our members, the focus on sales is, and always has been, a key concern for us. Too much emphasis on sales is bad. It creates bad practices.

Mr Flanagan: Is it your assessment that your members are under pressure to sell products to customers who may not necessarily want or need them?

Mr Broderick: There is a very strong compliance that our members are not in the business of doing that, to be quite honest, but there is pressure on sales. If you have pressure on sales, it is very difficult to create moral judgements if you are under that kind of pressure.

Mr Séamas Sheils (IBOA - The Finance Union): Up to 2008, you had a kind of carrot approach. Now, you have a stick approach. Now, the approach is that there may be disciplinary issues for failing to meet the targets, whereas before, meeting the targets was rewarded by some kind of bonus or commission payment or whatever it might be. That is the change since 2008. From any of the surveys we have done of our members involved in working in that area, there is no doubt that they feel that they are under severe pressure. They feel that they are being watched and constantly monitored. In some cases, they are just going through the motions of engaging with a customer just so that they can tick the box at the end of the day to say, "Yes, I spoke to a customer about this particular financial product", be that a credit card or whatever, when they and the customer know that neither of them are really interested. They just have to do it because that is how their performance is judged. Whether there is a sale at the end of it is almost immaterial; they still have to go through the process and engage with customers on that basis.

Mr Frew: Thank you very much for your presentation. People in my constituency who worked for the IT department in Ulster Bank lost their job through centralisation. We then had the issue of the crash and the problems with IT, and Ulster Bank had to be left to last to be resolved. Have you tracked that the whole way through? I presume that you have. How big a difference has that made to Ulster Bank operations? How has that change in the centralisation of its IT systems materialised now in the changes and pressures that Ulster Bank is under?

Mr Broderick: That whole experience was a disaster for Ulster Bank. To be fair to Ulster Bank, it was not its problem; it was RBS's problem. It decided to migrate the work. We argued very strongly against it; we thought that it was wrong. It assured us that it could provide the service, but it did not provide it. It has been very damaging for the bank and its reputation.

Our concern is that we do not believe that RBS has learnt the lessons of that. Work is certainly being done with RBS — the bank may be able to deal with it itself — to ensure that Ulster Bank should not be left to last. It needs to address that issue. We have seen recently that the bank has migrated further support role work, particularly concerning arrears, from Dublin and here in Belfast over to Edinburgh. Our concern is that RBS is looking at a global cost-restructuring programme and will migrate work from the island of Ireland, particularly from Northern Ireland, to outside this economy to reduce costs. Although we accept that there is a need to move on with technology, that can be done very well within Ireland. It is a wrong decision. I do not believe that RBS has learnt that lesson. We and the bank should have common cause to try to ensure that Ulster Bank can provide those services in Ireland.

Mr Sheils: One of the lessons of the IT disaster is the key role that bank staff in branches played, and how important face-to-face interactions with customers were. Many customers could access money only because they were known to the people working in the bank. The staff member would say, "Yes, I know who you are, where you work and what kind of income you have. Of course, we will advance you the money, even though we cannot see anything on our visual display unit screens. We know you, and we have a long-standing relationship with you". You would have thought that that might have given the bank — or the banks generally, because it applies across the board to all banks in Ireland —

pause for thought, that perhaps they should not rush to close branches and push customers towards e-banking quite as rapidly as they do.
I do not think that any of the banks in Ireland have a genuinely stable IT platform. In fairness, the chief executive officer of RBS admitted, just before Christmas, that RBS was suffering from decades of underinvestment in IT. RBS needs to make substantial and significant investment in its IT system, but you are left wondering how it will manage with all the other demands on its resources, in trying to get out from under public ownership, which seems to be an ambition of both RBS and the British Government. It is also being pressed to supply credit to small businesses and consumers generally. So you wonder whether IT will be left close to the end of the agenda again.

There is a sense of underinvestment across the board. It is not unique to RBS, but RBS has a particular problem. You wonder whether the rush to push people into e-banking is, in itself, sustainable. We know that, in the case of Ulster Bank, there have been several IT glitches since the big one. Every three or four months, there are problems with ATMs, and the system goes off-line for perhaps eight hours, 12 hours or more. It is a recurring problem. We are told that this does not relate to the big bang of the summer of 2012, but it demonstrates that the system is far from robust.

The other curious thing is that there were investigations, as you will recall. People from RBS and Ulster Bank appeared in the Assembly, immediately in the aftermath of the summer incident, to talk about the problems that they encountered.

I am sorry; I lost my train of thought. I will come back to it.

The Chairperson: You were talking about IT.

Mr Broderick: The point that you are making is that we do not know what has come out of those investigations.

Mr Sheils: That is it. The investigations were conducted by internal and external agencies.

The Chairperson: And we have not heard.

Mr Sheils: We gather that there is to be no public report. The Financial Conduct Authority (FCA) in Britain is launching another investigation into the IT situation in RBS and Lloyds Banking Group. It seems that we are not short of investigations. What we want to see, however, are the outcomes so that, as staff, customers and the public — the public supports RBS and Lloyds — we need to know that public investment, customer confidence and staff interest are being adequately addressed in all those matters.

The Chairperson: Briefly, Paul.

Mr Frew: I will be brief. Ulster Bank is the largest bank in Northern Ireland and the third-largest in the Republic, if memory serves me correctly. Is there an operational difference either side of the border, or is it one complete bank?

Mr Broderick: It operates as one. There are fundamental differences to operating in the sterling area and in the eurozone, but it is one operation.

Mr Frew: OK. It is a business, and, in business, people lose their job, and businesses expand and contract. Are you being realistic in your arguments and in your criticism of Ulster Bank?

Mr Broderick: I think that we are. I think that no trade union has been more realistic in managing change in this economy than this one. We are not saying that the bank cannot change or that it should not have redundancies. However, there is an opportunity in the restructuring to ensure that it works well for customers and for staff. Our argument is that, unfortunately, since February of this year, there has been huge speculation about jobs going, and no one knows the detail. That is not good for business. There is huge speculation about branch closures, which is not good for customers. There is huge speculation about the future of the Ulster Bank, and that needs to be clarified. We will negotiate the deal, provided that the terms are agreed with us, as they have been in the past. We are not against change. We would recognise change, but we are trying to minimise the impact on staff and customers.

Mr Dunne: Thanks very much, gentlemen. What is your experience of customers when a local branch closes? Do they switch to the opposition, perhaps, in their area or do they move to the next town or village?

Mr Broderick: First, our members tell us that customers are very irate about how the announcement is made, and they say that not enough time and detail is given. Secondly, experience is mixed. Ulster Bank would probably tell us that many customers stay with Ulster Bank, whereas our evidence suggests that many people might switch to other local branches. The problem is that there are locations where Ulster Bank has given a commitment to towns and villages in the North and the South that it will remain the last branch in that town, it will not leave, and it will provide that service.

Mr Dunne: It has made that commitment.

Mr Broderick: Yes, it made that commitment 12 months ago or more than two years ago. That was its commitment to customers at the time, and we are concerned that, in the context of what we are hearing, it will not be able to deliver on that.

Mr Dunne: Who did it make that commitment to?

Mr Broderick: I think that it made it to customers; it set out a 10-point customer charter.

Mr Dunne: Did it list specific places?

Mr Broderick: No, I do not think that it knew the specific places at the time, but, at the time of branches being closed in the industry as a whole, it launched a charter. I think that that was in 2011, and the new chief executive will have launched it. It said that it was here for the long haul, that it would be committed and that, in the event of its being the last bank branch in a town, it would remain.

Mr Dunne: The last to put the light out, if it comes to that. Thanks very much.

The Chairperson: Thank you very much indeed. You will probably recognise one or two people from the bank. You will probably stay for the next presentation from the Ulster Bank. Please keep in touch with us. You have been very good in the past, so please continue that dialogue with us.