From the Minister of Finance

Private Office
2nd Floor
Clare House
303 Airport Road West
BELFAST
BT3 9ED

Tel:
Email:

Our reference:

Matthew O'Toole
Chairperson of the Committee for Finance
c/o Committee Office
Room 375
Parliament Buildings
Stormont
Belfast BT4 3XX

Matthew, a chara

SUMMARY REPORT ON KEY ISSUES IN THE NORTH'S BANKING SECTOR

As you are aware, my predecessor, Dr Caoimhe Archibald MLA, hosted a Banking Roundtable event on 20 November 2024 with attendance from a wide range of stakeholders, including the Financial Conduct Authority's (FCA) Chief Executive Nikhil Rathi and representatives from the local banking and finance industry (including UK Finance), trade unions, business bodies, and consumer and community organisations. The main purpose of the event was to provide a platform for open dialogue and collaboration on key issues and developments around access to cash and banking services impacting locally, especially in light of the new rules implemented by the FCA in September 2024 to protect access to cash for consumers and small businesses.

My department has now published a report today, which can be accessed here Banking Roundtable Report 2024, and summarises the key issues raised by stakeholders at the event. As the report sets out, the issues raised broadly fall under the three areas of 'ensuring access to cash and services', 'promoting financial inclusions' and 'stakeholder engagement through managing change'.

The report is also being shared with Treasury and the FCA to set out the key issues discussed and seek a formal response as appropriate given their policy and regulatory responsibilities for banking and financial services. A copy is also being made available to relevant stakeholders.

A further issue raised at the event was the need for more local engagement on banking matters to keep abreast of issues facing the sector. Therefore, to build on the collaborative engagement to date, and to ensure I am fully briefed on any local issues within the sector, I have agreed to convene further roundtable events on an annual basis.

I trust you will find the report informative.

Is mise le meas

JOHN O'DOWD MLA
MINISTER OF FINANCE

DEPARTMENT OF FINANCE

BANKING ROUNDTABLE EVENT
20 NOVEMBER 2024

SUMMARY REPORT

1. BACKGROUND TO BANKING ROUNDTABLE EVENT

Background

1.1. Regulation of the banking sector in the North of Ireland is a Reserved Matter, where legislative authority rests with HM Treasury and regulatory authorities in London. While neither the Department of Finance (DoF) nor the NI Assembly have any legislative authority in relation to banking and finance, the Minister of Finance, John O'Dowd MLA, has the lead role in the North on engaging with the Treasury and the regulatory authorities as required on banking matters[1].

1.2. Since the restoration of the Executive in 2024, the previous Finance Minister Caoimhe Archibald MLA received correspondence in relation to the impact of the pace of change in the banking sector on local communities, businesses and staff. Whilst the trend has been moving toward greater use of online banking facilities and these services have benefited the many customers who use them; concerns have been highlighted regarding the closure of branches and the wider societal impacts this has in accessing cash and banking services, especially in rural areas; and vulnerable groups such as the elderly.

1.3. In July 2024 the Financial Conduct Authority (FCA) published new rules which aimed to ensure that consumers and businesses had reasonable access to cash. The rules[2] came into effect on 18 September 2024 and apply to 14 designated banks and building societies, including the main banks and building societies operating locally. The rules set out how they need to assess and plug gaps in local cash provision that significantly impact consumers and businesses.

1.4. It is against that background that Caoimhe Archibald MLA, the then Finance Minister, hosted a banking roundtable discussion on 20 November 2024. The event was attended by a wide range of stakeholders including the FCA Chief Executive, Nikhil Rathi who took the opportunity to update stakeholders on the new rules and heard the concerns and issues of local stakeholders directly along with how the new rules are embedding in. Other attendees included representatives from:

- the banking and financial services industry;
- Trade Unions;
- business bodies; and
- consumer and community organisations.

1.5. The event took the form of a structured discussion chaired by the Finance Minister. This provided the opportunity for open dialogue and collaboration on key issues

[1] The responsibility for Credit Union policy and legislation in NI rests with the Department for Economy.
[2] Access to Cash Rules | FCA

and developments around access to cash and banking services impacting on the North, especially in light of the new rules published by the FCA.

1.6. Prior to the roundtable, DoF called for invited organisations to put forward any current/key issues that they would like raised at the event by way of a written submission, particularly around access to cash and services; and the future of local banking.

1.7. A full list of organisations that attended the banking roundtable event and/or responded in writing is included in the **Annex**.

2. OUTPUT FROM DISCUSSION

2.1. The issues of concern provided by stakeholders in advance of the roundtable, shaped the agenda for the banking roundtable event, which broadly fell under three categories:

- Ensuring Access to Cash and Services;
- Promoting Financial Inclusion; and
- Stakeholder Engagement through Managing Change.

2.2. The key messages under each of these have been summarised within this report, based on the issues raised by stakeholders at the banking roundtable event as well as through their written submissions.

2.3. The issues set out are being formally presented to the Treasury and British regulatory authorities for consideration given their legislative authority in relation to banking. The paper is also being shared with the Irish Government given the likely commonality of issues, and the linkages in financial services across the island of Ireland.

2.4. One of the main concerns raised by stakeholders at the event was the need for more local engagement on banking matters in a roundtable forum to maintain an up-to-date understanding of issues facing the sector. The Department and previous Minister of Finance, Caoimhe Archibald MLA, had been engaging with key stakeholders individually and agreed with the sector to convene a roundtable forum on an annual basis.

2.5. The Department and Minister of Finance would like to thank all stakeholders for their written submissions and participation in the roundtable event, and in helping to set out the key issues facing the local banking sector.

3. ENSURING ACCESS TO CASH AND SERVICES

Changing Financial Services Landscape

3.1. Stakeholders recognised that the financial services landscape has been, over recent years, transforming rapidly, marked by a steep decline in cash usage, widespread adoption of digital payments, and ongoing bank closures. This is a global issue and according to UK Finance, only 6% of all payments across the UK are projected to be cash payments in 2033.

3.2. Despite the changing landscape, stakeholders highlighted that cash remains a fundamental part of the local economy, where reliance on cash remains higher than in Britain, and these changes present challenges, particularly for vulnerable groups that face a number of barriers to accessing banking services; and rural communities that often lack digital infrastructure.

3.3. It was also noted, by stakeholders, that the banking market locally is more competitive than ever before. Market share of the four 'traditional' banks[3] has fallen from 80% to 50% over the last 15 years, due in large part to the prevalence of online only providers/challenger banks.

3.4. The provision of banking services, including cash-back and ATMs, in shops were noted as a cost being subsidised by small retailers as the cost of labour provided by the retailer is not covered.

3.5. In addition, FCA's Consumer Duty[4] was referenced. In place since July 31 2023, it requires financial services firms to act in the interests of consumers. It means consumers should get the support they need, when they need it; communications consumers understand; and products and services that meet consumers needs and offer fair value.

The Financial Conduct Authority's Access to Cash Rules

3.6. Stakeholders largely welcomed the new FCA access to cash rules, which came into effect in September 2024[5]. In particular, the new rules set a requirement for LINK to review access to cash in a local community when:

- changes are made to services; for example, if a branch, cash machine or Post Office closes or there are changes to opening hours; or
- 'cash access requests' are submitted by local residents, businesses, or representatives.

---

[3] Bank of Ireland, Danske Bank, First Trust Bank and Ulster Bank

[4] FCA Consumer Duty

[5] ibid

3.7. If banks and building societies are planning to close facilities, including branches, which would affect ability to pay in or withdraw cash, they must maintain their services until the necessary cash services are available.

3.8. Communities can request cash access assessments through LINK, with the aim to ensure continuous service of cash access in local areas.[6] The FCA highlighted it was important to note that as part of its new rules, it wasn't asked to keep bank branches open. Some stakeholders felt that the new rules should have given the FCA the option to keep branches open, and it was stated the rules allow the FCA to pause branch closures, something that could be an area for further exploration.

3.9. Some concerns were voiced about the independence and transparency of implementing the rules. It was stated that while it is too early to draw any real conclusions on the implementation of the rules, it was important to recognise that a 'one size fits all' approach will not always be suitable, particularly locally where:

a) there is a higher cash reliance - 13% of people were heavy[7] cash users in the region as of 2022, whereas six percent of people use cash in the whole of the UK[8];
b) it has a larger rural population compared to Britain[9][10]; and
c) given its proximity to the South of Ireland, there are unique currency issues with bank branches at the border not experienced in Britain.

3.10. It was also noted by stakeholders that the new rules do not include access to financial advice, a critical service for consumers making complex decisions about mortgages, loans, and savings, which was a concern raised by a number of stakeholders in attendance.

The Effectiveness of Community Solutions

3.11. The closure of traditional bank branches has left many, particularly in rural areas and among vulnerable groups such as the elderly and those with limited digital literacy, without access to in-person financial guidance. Stakeholders voiced their concerns that bank branch closures need to be made in a managed manner with impacted customers and staff.

3.12. While alternatives such as banking hubs, Post Offices, and Credit Unions aim to mitigate the impact of branch closures by maintaining access to cash and essential financial services support, the full range of banking facilities once available in an area can still be more limited. It was observed that this gap has exacerbated

---

[6] LINK Access to Cash Request
[7] They pay for everything or most things in cash
[8] NI Consumers and EU Exit: An overview of EU Exit in 2023 | Consumer Council
[9] Rural population and migration | GOV.UK
[10] Rural statistics | Northern Ireland Statistics and Research Agency

challenges in a rapidly changing financial landscape where digital transformation has outpaced the ability of many to adapt and where forced digitalisation has become problematic in many instances. Some stakeholders identified that banking hubs, post offices, and credit unions were not alternatives to bank branches.

Banking Hubs

3.13. Banking hubs provide communities with access to various banking services and face-to-face support. They offer a practical alternative and the range of services offered at banking hubs has recently been widened, as customers can ask for any service of their bank on the day they are operating in the hub including mortgage, debt, and bereavement advice. However, some stakeholders present did not recognise banking hubs as an adequate substitute for a local bank branch, particularly for personalised financial advice.

3.12. Locally, there are currently five banking hubs[11] with a further hub opening planned in Ballynahinch in December 2025.

3.13. The banking sector highlighted that financial and mortgage advice has not been provided in bank branches for many years, although branches are often used as meeting points for specialist services. They also indicated that customers now have alternative channels available to branches such as Zoom/ Teams, Chat Bots, etc. The role of independent financial advisers and mortgage brokers is also an important feature of the current market.

3.14. A further limitation noted in the use of banking hubs is that customers have to bring their own device to the hub. As it stands this is no longer a requirement across most banks in the North, however not all are in a position to offer this just yet. A pilot on the use of printers is planned for the second quarter of 2025 which, if successful, would alleviate the need to bring-your-own-device.

3.15. Cash Access UK is currently conducting analysis and research into the needs and uses of consumers at banking hubs. This news will be welcomed by some, as will further roll out of banking hubs , but a number of stakeholders expressed reservations that retail banks will see banking hubs as the new banking model allowing them to close vital bank branches in local communities. The outputs from this analysis will also be useful to understand utilisation of the hubs in the region and how these compare to those elsewhere, and to understand what services are in most demand.

---

[11] Portrush, Kilkeel, Warrenpoint, Newcastle and Comber.

Credit Unions

3.16. A number of stakeholders present stated that Credit Unions have stepped up to fill gaps left by bank closures, providing essential banking services and fostering community engagement through their strong presence, with 80 Credit Unions and 120 offices affiliated to the Irish League of Credit Unions and 38 Credit Unions affiliated to the Ulster Federation of Credit Unions locally.. The well-established Credit Union network was recognised by stakeholders, where it was suggested that the right solution for access to cash in a community should also consider Credit Unions.

3.17. However, it was cited that outdated legislation[12], limited digital infrastructure, and insufficient funding (when compared to the direct funding of circa £190 million that Credit Unions in Britain have availed of from the British, Scottish and Welsh governments over the last 15 years) constrain their ability to scale their impact.

3.18. It was also indicated that local Credit Unions , unlike their counterparts in Britain, are not able to avail of non-domestic rating exemptions that Post Offices and rural ATMS make use of.

3.19. The Department of Finance is currently undertaking a comprehensive Strategic Review Cycle of all rates support provided within the rating system. One of the first policies to be reviewed in 2025/26 will be the Small Business Rate Relief Scheme. As part of this work the coverage of Credit Unions in relation to rate support will be explored, and officials will engage with the sector as part of this process.

Post Offices

3.20. Stakeholders recognised how Post Offices have increasingly taken on banking roles, offering cash services and supporting community cohesion. However, it was indicated that some operate at a financial loss due to inadequate compensation for services. It was also noted that operational limitations, such as caps on cash deposits, also reduce their effectiveness for small businesses.

3.21. Similar to the Credit Union network, stakeholders recognised the sense of community associated with Post Offices. When a Post Office closes, the whole community is affected and in some instances the closure of a Post Office has the same effect on a community as the closure of a bank branch would do. With 441 post offices operating across the region, it was noted that there is a huge demand on them, especially with access to cash facilities closing elsewhere; and

[12] In March 2024, the then Minister for the Economy announced plans to update legislation to broaden the products and services Credit Unions provide to their members.

stakeholders felt a strategic review was needed to address ongoing sustainability issues.

The Adequacy and Independence of Impact Assessments

3.22. Impact assessments for access to cash were criticised for their lack of comprehensiveness and independence, with some suggesting the process needs urgent revision. Stakeholders highlighted that these assessments often fail to evaluate the full consequences of service reductions, especially for vulnerable groups, and may not reflect the broader community impact.

3.23. It was also mentioned that concerns about independence undermine trust, as some believe that entities tied to banks lack the impartiality needed for objective evaluations. Transparency was noted as another issue, as awareness of LINK's cash access requests remains low in NI, limiting community participation in these. Additionally, some stakeholders felt that consultations about closures are poorly advertised, leaving many consumers uninformed about their purpose and scope

3.24. Despite these concerns, the banking industry and Link both consider that the impact assessments conducted are well established and robust. LINK highlighted that it has been carrying out assessments on cash access requests, but surprisingly there have been few requests in the North; and indicated the requests are available to anyone at the LINK website under the community requests section.

3.25. It was recognised that there is potentially less awareness of the new FCA rules locally. Therefore, improving the transparency and independence of assessments and increasing public awareness of available opportunities for input are crucial to addressing these challenges.

The High Impact on Communities after Bank Closures

3.26. It was noted that the closure of bank branches have significantly impacted communities, particularly in rural and underserved areas. Research by the Consumer Council NI found that 84% of affected consumers experienced disruptions, with the impact rising to 90% for low-income individuals and 94% for people with disabilities[13].

3.27. Rural areas have been particularly hard-hit, with over half of respondents reporting major disruptions to their local economies and daily activities. Small businesses face challenges in depositing cash or accessing in-person support,

[13] Access to Banking Services in Northern Ireland | Consumer Council

while residents lose access to personalised financial advice. The closures have also disrupted social cohesion and trust that local branches historically provided.

3.28. While solutions like banking hubs and Post Offices have helped mitigate some effects, it was stated that they cannot fully replace the role of traditional branches in fostering community resilience and providing tailored services.

The Loss of Local Knowledge

3.29. It was referenced that the loss of local knowledge due to branch closures has been a critical challenge, particularly in rural areas.

3.30. Local banking staff, who possess a deep understanding of customer needs and community-specific contexts, play a vital role in fostering trust and providing tailored advice.

3.31. As services move online, this connection is eroded, leaving gaps in financial advice and community engagement, particularly for those who rely on face-to-face interactions for support.

4. PROMOTING FINANCIAL INCLUSION

Lack of Digital Literacy

4.1. Stakeholders recognised that the rapid digitalisation of financial services has outpaced the ability of many individuals and communities to adapt, leaving those with limited digital literacy at a significant disadvantage.

4.2. Vulnerable groups, including the elderly and low-income households, often lack the skills, confidence and resources to navigate online banking platforms effectively.

4.3. In rural areas, where digital infrastructure may be less robust, this problem is heightened by poor internet connectivity and a lack of tailored support.

4.4. It was highlighted that financial inclusion and literacy were not recognised as a priority by the Executive in its draft Programme for Government, despite it being recognised by the Irish government as a priority.

Tailored Solutions Required

4.5. Stakeholders mentioned that a one-size-fits-all approach to digital transition is insufficient in addressing the diverse needs of the population.

4.6. Stakeholders emphasised the need for a tailored plan that incorporates community-specific challenges, particularly in the North where rurality and social factors exacerbate barriers to financial inclusion.

4.7. Stakeholders outlined the need for financial education in schools and addressing gaps in adult financial education as potential solutions to address some of these issues.

4.8. It was also noted that the UK Government has confirmed the establishment of a Financial Inclusion Committee which is aimed at tackling the barriers people can face when managing personal finances. While the formation of a Financial Inclusion Committee was welcomed, there was disappointment recorded that there was no local representative given our unique landscape.

Difficulties Opening and Maintaining Accounts for Charities

4.9. Stakeholders relayed how local charities have reported difficulties in opening and maintaining bank accounts, not solely due to digital literacy, but also due to the digital processes being built which appears to be more suitable for private banking sector.

4.10. A number of stakeholders felt that banks do not understand how charities and other voluntary organisations are structured, governed and managed, despite correspondence from civil society organisations and charity regulators that the processes and systems are causing issues for these organisations.

4.11. Reportedly, the stricter processes implemented for updating and maintaining bank accounts arise from the banks' interpretation of compliance but, the requirements have created operational challenges for organisations, as the digital framework is not appropriate for voluntary organisations, which has led to administration challenges. The sector also raised concerns around need for better communication from, and within, the banks on these issues. Bank closures have resulted in a lack of client facing staff that have local knowledge and understand voluntary organisations, as well as accessible services to manage funds effectively. Charities are struggling to maintain good financial governance practice as a result of these ongoing issues.

Technological Solutions Exacerbate Digital Exclusion

4.12. While digital banking solutions offer convenience, it was stated by some stakeholders that they can unintentionally deepen digital exclusion for vulnerable populations. Stakeholders outlined the need for digital inclusion if financial inclusion is being sought.

4.13. Automated systems and online-only customer support often replace the personalised service traditionally offered by local branches, creating a barrier for individuals who rely on human interaction. For those without digital skills or access to technology, these solutions can lead to further marginalisation, leaving them unable to access even basic financial services.

Consumers Must Travel Further for Services

4.14. Stakeholders stated that the closure of local bank branches has forced many consumers, particularly in rural areas, to travel greater distances, sometimes without access to pavements or street lighting, to access basic financial services. While this inconvenience affects all users, it disproportionately impacts those without private transportation, the elderly and low-income individuals.

4.15. It was also mentioned that the absence of nearby services increases risks for businesses and individuals carrying large amounts of cash, particularly in areas where alternative facilities such as ATMs and banking hubs, to allow for cash depositing are limited.

5. STAKEHOLDER ENGAGEMENT THROUGH MANAGING CHANGE

Public Awareness and Transparency

5.1. A number of stakeholders stated that public understanding of the new FCA rules, LINK cash access requests, and alternative solutions like banking hubs and Post Offices is limited locally. Education and information campaigns are critical to closing this gap.

5.2. Stakeholders emphasised the importance of transparent consultations for bank closures. It was indicated that these consultations should involve clear communication of their purpose, scope, and outcomes, with a strong emphasis on including consumers, businesses, and community representatives.

Engaging with Communities

5.3. It was referenced by a number of stakeholders that meaningful engagement with local communities, particularly in rural areas, is essential to ensuring financial services align with their unique needs. This includes engaging micro-businesses, sole traders, and vulnerable populations.

5.4. It was stated that consultations must account for rural realities, such as infrastructure limitations and geographic barriers, to ensure equitable access to banking information and services.

5.5. The Finance Minister has committed to continuously engage with stakeholders and convene Banking Roundtable events on an annual basis.

Annex – Organisations that attended banking roundtable event and/or responded to the written evidence

- Financial Conduct Authority
- Financial Services Union
- Consumer Council NI
- UK Finance
- Ulster Federation of Credit Unions
- Irish League of Credit Unions
- Post Office
- Federation of Small Businesses
- Retail NI
- Millisle Community Association
- LINK
- Cash Access UK
- Northern Ireland Council for Voluntary Action
- Rural Community Network
- National Federation of SubPostmasters