



# RetailNI

Standing up for  
Independent Retailers

## **Finance Committee Call for Evidence**

### **Banking and Financial Services in Northern Ireland**

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#### **Introduction**

Retail NI is the business representative organisation in Northern Ireland for independent retailers. Banking and financial services is a key issue for each of our members. We also have members responsible for providing services such as ATM machines, post office services, etc therefore we are well placed to respond to the Committee for Finance Call for Evidence. We look forward to working together, both in providing this initial response and follow up engagements.

Banking in Northern Ireland is changing. Small businesses are amongst those feeling the most noticeable impact, with the closure of bank branches, the reduction in the use of cash (although in our view the decline in cash usage has halted and seems to have found a level), and the growth of electronic banking. Whilst we are entering a new technological era, for now, many businesses face the reality of inconvenience and much reduced personal service.

Banking has always been a vital element of the retail mix. The arguments regarding the future of our high streets are well rehearsed but we are increasingly frustrated at how this change is being managed. It is striking the difference in the public and private approaches. The latter have responded swiftly to changing trends by closing branches and automating services,

whilst the former have developed strategies and consulted widely. Unfortunately, the pace of implementation has hovered between slow and stop. This is not a sustainable approach.

### **Key Issues**

We have engaged with our membership and will continue do so, to determine their perspectives of the banking landscape in Northern Ireland. Retail NI attended a recent 'Access to Finance' summit hosted by the Minister for Finance and made clear the issues faced daily by our members and the wider small business sector in Northern Ireland.

Based on our engagement, a number of key issues have been identified and are set out below:

### **Insurance Premiums**

There is considerable concern at the significant rise in insurance premiums, across a host of areas including vehicles, buildings, and contents without any reasonable justification. This is a significant cost for an independent retailer and while we appreciate there has been a greater focus on domestic insurance prices. It is another example of the rising cost of doing business in NI, which ultimately impacts on both businesses and the consumers.

### **Rural Banking Services**

We are particularly concerned with access to banking services in rural areas. There appears to be a lack of understanding of the unique needs of the rural community, which includes businesses. While there have been some positive steps such as banking hubs and post office services, overall we feel that the rural community, which is critical to NI, has been poorly served. We also reiterate that technology is not the answer to all problems. Independent retailers recognise that a service which focuses on the customer means a happy customer. In our view Banking institutions pay lip service to this principle.

We are also concerned about the impact on the most vulnerable in our community, which includes those on benefits and pensioners. With benefits being paid directly into bank accounts it is vital that they have easy access to their cash free of charge. For pensioners, there is the added concern that many do not use online banking therefore there must continue to be access to 'bricks and mortar' which they can use. People in urban areas aren't

affected as badly with accessibility. People in rural areas are potentially more vulnerable with due to mobility issues, with there often being a greater distance to the nearest cash centre.

### **New Market Entrants**

The growth of new banking models, especially online, is a welcome new dimension especially for those who are internet savvy and comfortable with the online world. However, every user should thoroughly research what banking brands are most suitable for their individual business needs.

New market entrants may offer new innovative ways of accessing and managing finances. We believe that most local businesses remain loyal to traditional banking institutions as their primary contact. This even remains the case as the branch network is reduced. We predict that as online banking becomes increasingly the norm these traditional loyalties will be increasingly tested. Newer businesses being established are more open to considering the 'new generation' of banks and financial providers.

With the rise in cybercrime and security issues, there is caution for many of the online banking landscapes. Some of the issues of concern include:

- understanding what is safe,
- what is approved by our regulators
- how they can be engaged with if there is a problem

There is a need to consider how new entrants can be credibly judged, and perhaps there is a greater role for the consumer protection organisations to offer independent advice and guidance on this ever-changing world.

### **Banking Hub Network**

New banking hubs are a welcome development, but they are not a like for like substitute for traditional bank branches. We look forward to working with hub operators to increase the range of services available for local businesses. We recognise the importance of businesses making use of the hubs if they are to be a long-term success. It too early to say whether they will become embedded in local communities as effectively as branches have traditionally been. There is not the space to develop relationships but hopefully they will prove effective in

delivering the key services that many local retailers and other businesses require. Performance indicators should be designed to determine this, and identify where they may need strengthened. The results should then be published regularly to stakeholders.

### **Cyber Crime/Security**

Many businesses are fearful of becoming victims of cyber-crime and recognise the need to invest in secure systems to protect both their finances and their business records. However, this is an area which many are dependant on advice and support from external consultants for suitable products.

There is a high level of awareness of this threat to businesses and this needs to be continually reinforced. The PSNI have been effective in their ongoing engagement with businesses. Traditional businesses have invested in alarm systems and barriers to protect their premises and stock. But we must now look to the future and ensure mindsets switched to think about this from an online perspective. We acknowledge that banks have been proactive in highlighting cybercrime, but we would suggest it is an issue which many retailers would appreciate greater human engagement rather than automated communications.

Like most things associated with technology this is an ever-evolving world, and we are fortunate that Northern Ireland is fast becoming a global hub for the best in cyber security technology. We would like to strengthen relationships between innovators and businesses locally for mutual benefit. Retailers will invest in what it takes to protect their businesses. We believe there is a case for a greater focus, to ensure that cyber security technology is available to every business in Northern Ireland.

### **Sector Support & Competitiveness**

The local small business banking sector is competitive with a broad range of providers, both traditional and new entrants. The continuous cost cutting drives and eradication of high street visibility has undermined traditional loyalties and changed attitudes towards traditional brands.

Expanding the role of credit unions as support for micro and small businesses should be considered. This would be a positive step and should be urgently explored.

We believe currently there is a good range of financial advice resources available to local businesses. This area has improved considerably in recent years as various agencies have responded to previous reports which have cited barriers to access to finance as being one of the main constraints on local firms. There is a continuing concern that there is a greater focus on supporting high growth startups rather than long established businesses such as local retailers.

### **Technological Change**

Online banking is helpful and time efficient, but the human relationship element is still important and should not be eliminated by banks and other financial services providers.

The pace of technological change has continued to accelerate, as increased options are made available. There is an overt effort by the institutions collectively to drive their customer bases towards online banking and advice services. This is fine for those who embrace this new way of working but there should continue to be a better choice available than is currently the case. In many instances there is simply no substitute for face-to-face engagement.

As a body Retail NI has a proven record of embracing innovation and we will continue to do so. When Apple Pay came to Northern Ireland, we were amongst the first to welcome it - *‘Lots of consumers here like to pay for goods or services via contactless technology and most of our members are actively embracing the ever-changing digital payment landscape.’*

Our message is simple - we should embrace innovation, but do not throw away all that is good for the sake of change.

### **Impacts of Branch Closures**

The ongoing bank branch closure programme is frustrating for many businesses. We commend those who are continuing to invest in their branch network. We expect closures to continue but those who invest in their ‘bricks and mortar’ branch network will reap the rewards.

Much has been written about the impact of bank branch closures on villages, towns, and cities. We would refer you to the High Street Task Force for a detailed analysis and suggested actions.

The traditional mainstays of the high street such as bank branches were invaluable in creating lasting relationships. They created a vibrancy which is difficult to replace, and many members have commented that many remaining branches are adopting a minimalist approach, with little opportunities for interaction and 'hollowed out' surroundings.

Many retailers still receive substantial amounts of cash daily as many customers, of all ages, still prefer cash to electronic transfer. Closures of branches have therefore created issues. No one wishes to have to hold onto large cash quantities for obvious reasons. We question whether these issues have been carefully considered by banks as they have announced regular closure programmes. We welcome the actions of unions and political representatives in vocally opposing closures. Unfortunately not a single announced closure has been reversed because of an intervention. We must therefore conclude that there is no room for engagement once a closure programme has been decided upon.

### **The Post Office Network**

The changes to the Post Office network in NI are one of the key strategic factors which is impacting the financial services environment. There is an estimated one post office service per four thousand people in Northern Ireland, compared to one per six thousand in Great Britain. This figure should not mask the concerns which exist.

The recent announcement of further main post office closures across Northern Ireland has been inevitable with the huge reductions in paper mail services. We would like to see a more innovative approach being taken with these redundant sites. Many of the buildings are in strategically important locations.

Many branch services now sit within existing retailers, boosting footfall, and centralising services. For many retailers and hospitality businesses, the Post Office branch is their key point for practical cash-based services including providing change, paying in takings and wages etc.

It is unrecognised that managing post offices is actually a loss-making service for many retailers. When this model was developed there was a promise from government that more services would gradually be made available, to underpin their viability, but this has never materialised to date. With its established community network across Northern Ireland there should be further pressure applied to determine what range of additional services could be delivered by post offices. In addition, the Northern Ireland Executive should undertake an audit of services in each devolved department with a view to using post offices for delivery. We appreciate the focus is on NIDirect and this brand could be used in conjunction with and adopted in partnership with the post office network, to maintain consistency.

There is a need for the various stakeholders to come together to allow local post offices to become delivery destinations for the various parcel delivery companies. This happens in GB but denied to customers here. Again a lost opportunity for post offices, as well as increasing options for customers.

The roll out approach of the 'Post Office Local' model has meant there is an over capacity in many areas, undermining viability for retailers. We should all be concerned with the long-term viability of this model if changes are not made. It is also worth noting that in many instances postmasters take home less than a living wage. The impact of governments recent announcement on National Insurance employer contributions must now also be factored in and we expect this to be a significant cause for concern.

Worryingly many are moving towards a precarious position, should greater support not be forthcoming.

Retail NI also reports frustration with day-to-day issues. For example, while fully recognising the value of anti-money laundering legislation there are differences in how it is applied. There have been instances where workers paid in cash have been unable to use PO services due to

limits of cash deposits they can accept. People are then forced to travel some distance to use a branch of their bank, who can accept unlimited deposits. Surely the onus should be on identifying suspicious transactions rather than inconveniencing legitimate workers. Post Office staff also have 'Know Your Customer' training they should be allowed to better use it. This is just one example of how service delivery could be improved if people and procedures worked better together.

### **ATMs**

Many retailers particularly in rural areas are essential providers of ATM facilities but this comes as a cost. Several of our members have been targeted for robbery of their machines, which on many occasions, has also led to substantial damage to their wider business premises. This results in increased insurance premiums and negative impact of staff morale. We commend the success of the PSNI on apprehending many of those responsible but the threat remains and there must be greater support for retailers who provide this service.

We have warned in the past that there is a real risk that many rural areas of Northern Ireland could become 'ATM free zones' which will have a negative impact on consumers and rural communities. However, this is not a problem only for rural areas. We have seen the number of available ATMs decrease province wide as they become uneconomical for retailers to run. The price per transaction which a retailer receives has decreased significantly. When the cost of electricity etc is included, it is often a loss maker. Once again, an unreasonable expectation is placed on the retailer.

There is often a parallel problem of machines running out of cash. Our members would report this is particularly commonplace in the rural areas and villages dotted around Northern Ireland. This requires better planning by the 'host' bank, as those working in store are often forced to endure the most of customer frustration. This is not acceptable.

In the past there was a practice of charging people to use ATMs. thankfully, this is becoming less common. There is an unfairness in paying a fee to access your own capital. We believe this cost should be borne by the bank and not the retailer or customer.



## **Pandemic impact**

Many areas of life have changed because of the pandemic and our response to it and banking is part of this. Many retailers were at the forefront of the community response during Covid. The switch to online accelerated during this period and we believe banks took advantage of this opportunity, although we acknowledge we have seen change in workplace practices across a range of sectors.

There was a missed opportunity during the pandemic to develop new approaches to our town and city centres. There were some minor initiatives around active travel in Belfast but little else which could have rejuvenated the spaces when they reopened. Unfortunately, the branch closures have accelerated and there appears to be very little strategic thinking being applied to future planning.

## **Conclusion**

We welcome the decision by the Finance Committee to examine this area as technology-led change and financial institutions have undergone major restructuring. Businesses are excellent innovators and will respond positively. We would urge the banking institutions and regulators to work with business representatives to better understand the impact of the change on day-to-day business activities.

We close by posing a question which should be central to this inquiry - who is paying for the right to access cash? it does not seem to be the banks. They have left the high street in their droves and the networks replacing are not adequately funded. How much have banks saved and how much of this has been returned to those who are now providing the access to cash.

Many local businesses are a bank's oldest and most loyal customers but in this automated world there is little recognition of this value.

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