

The Reality of Banking Service Withdrawal in Rural Northern Ireland: Impact on Communities and Solutions.

Introduction: A Growing Crisis

Rural Community Network has long campaigned for accessible and affordable banking services in rural Northern Ireland. The withdrawal of high street banks from rural areas is not just an inconvenience—it is a financial crisis affecting businesses, community groups, and individuals.

For many, opening and maintaining a bank account has become a bureaucratic nightmare, requiring excessive paperwork, long wait times, and the need to travel significant distances to access basic banking services. Beyond this, a critical issue is the increasing difficulty and cost of accessing cash in rural areas, where ATMs are disappearing, some of those that remain are expensive and not free to use, some are located inside shops to prevent theft and so are not accessible overnight and many rural banks are closing.

The community and voluntary sector access to banking challenges

The increasing withdrawal of high street banks from rural areas has compounded financial exclusion, creating unnecessary barriers for organizations that play a crucial role in local communities. Our case studies (ANNEX A) provide clear evidence of the difficulties groups are experiencing, from excessive paperwork and long waiting times to outright refusals to open accounts.

We recognize that Credit Unions could serve as a vital part of the solution, but there are gaps in awareness about what they can do, a need for policy clarity, and clarity on financial product offerings that currently limit their potential. If Credit Unions are able to offer banking services for community groups, there must be a concerted effort to raise awareness and ensure they are positioned as a viable alternative. If they are not currently able to provide these services, then there needs to be a discussion with umbrella organizations on how to bridge this gap.

Additionally, it is concerning that many funders do not accept Credit Union accounts, limiting the ability of organizations to access crucial funding. Addressing this discrepancy should be a priority in any discussions on financial inclusion.

With that in mind, we fully support pressing the banks on these issues and exploring policy interventions that could ease the administrative burden on C&V organizations. Your suggestion of a region-wide discussion on improving relationships between Credit Unions and local groups is particularly valuable and could be an important next step in addressing these challenges.

We would welcome further engagement on this matter, including any updates on sector-wide efforts to resolve these barriers. Please let us know how we can collaborate to ensure that rural communities are not further disadvantaged by the shifting banking landscape.

The Shift to Digital Banking: Challenges for Rural Areas

The expectation is that people will transition to digital banking and online services, but this is far from straightforward in rural Northern Ireland due to:

- **Lack of digital literacy**—Many older people and lower-income individuals lack confidence in using online banking.
- **Limited access to technology**—Not everyone has a smartphone, tablet, or computer.
- **Unreliable broadband and mobile data coverage**—Rural areas still experience patchy and unstable internet.
- **Affordability concerns**—Devices, mobile data, and internet plans all come at a cost that some households cannot afford.

Despite the push towards a "digital by default" banking model, the reality is that rural communities face significant barriers to full financial inclusion.

The Scale of the Problem

According to the **DAERA Key Rural Issues 2023 Report**:

- 4% of all rural dwellers lack public transport access to financial services.
- Banks in Northern Ireland permanently closed 52 branches between May 2020 and early 2023. Before that, the average journey time to access financial services was 7 minutes in 2017, but closures have dramatically increased this figure. In Fermanagh one community face a 26 mile one way trip to access a bank.
- 3% of adults in Northern Ireland are "unbanked"—meaning they have no bank account at all, limiting access to credit, online payments, and essential financial services.

Other key findings:

- Fewer free-to-use ATMs mean rural dwellers often pay fees just to access their own money.
- Businesses and community groups must travel long distances to deposit cash, making operations more difficult and risky.
- Many rural businesses prefer to accept cash to avoid card transaction fees, which reduce their profit margins.
- Electricity blackouts and loss of mobile networks—as seen during recent storms—highlight the need for cash, as digital payment systems became unusable.

Crime Risks and Financial Vulnerability

The shift away from cash and banking services has created new risks:

- Cash-only businesses are now keeping larger amounts of money on-site, making them targets for theft.
- Older people are keeping large sums of cash at home, fearing they will be caught without access to funds—putting them at risk of burglary and fraud.
- Self-employed workers, especially farmers, lack access to financial advice that banks previously provided for business investment.
- Lack of affordable credit options has led some to turn to illegal lenders, particularly in areas affected by paramilitary control and coercive debt collection practices. This ties into the Violence Against Women and Girls strategy and the Addressing Paramilitarism strategy, as financial exclusion and coercive lending increase vulnerability.

Cross-Border Banking Challenges

Brexit has created new banking barriers for cross-border workers in Northern Ireland:

- **Delays in salary payments** due to cross-border banking complications.
- **Difficulties accessing loans** from banks in either jurisdiction.
- **Currency exchange challenges** for those who live in Northern Ireland but work in the Republic of Ireland.

This was not an issue before Brexit, but many rural workers now face additional financial hurdles due to cross-border banking changes.

The Role of Credit Unions and Financial Education

With traditional banks withdrawing, Credit Unions are increasingly filling the gap in rural communities. However, challenges remain:

- Many grant providers do not recognise Credit Union accounts, limiting their use for community groups and small businesses.
- Credit Unions are now potentially the only local resource available for financial education, teaching children the importance of saving—an issue that should be more broadly supported.
- Financial literacy remains low in Northern Ireland, with many adults struggling with basic banking, credit, and saving principles.

The Post Office as a Banking Hub: A Solution That Needs Investment

The Post Office network has become a lifeline for many rural areas, offering banking services where high street banks have disappeared. However, to sustain and expand this service:

- More investment is needed to ensure Post Offices remain viable.
- Public awareness campaigns are required to educate people on the banking services available at Post Offices.
- Post Office services should be expanded, particularly in remote areas.

Potential Solutions and Evidence-Based Approaches

1. Expanding Access to Cash and Banking Services

- Increase free-to-use ATMs in rural areas.
- Support banking hubs where multiple banks operate under one roof.
- Strengthen Post Offices and Credit Unions as viable alternatives to traditional banks.
- Enable the return of local 'Parish Savings Schemes', which have historically helped families cover expensive times of the year, such as Christmas and back-to-school costs.

A 2021 UK Finance report found that rural ATM closures disproportionately affect low-income and elderly populations. Additionally, research by the Financial Conduct Authority (FCA) highlights that 1.3 million people in the UK are entirely dependent on cash transactions.

2. Strengthening Micro-Lending and Affordable Credit

- Support community wealth building through Credit Unions acting as local banking institutions for community groups.
- Expand micro-lending schemes to provide small, low-interest loans to individuals and businesses who cannot access traditional banking services.

Studies from the Joseph Rowntree Foundation indicate that community-led lending models significantly reduce reliance on illegal lenders. Credit Union-backed micro-lending has also proven successful in countries like Ireland and Canada in preventing financial exclusion.

3. Strengthening Digital and Financial Literacy

- Improve financial education in schools to teach children about savings, loans, and responsible spending.
- Provide digital banking support for older and less tech-savvy individuals.
- Promote safe and affordable credit options, reducing reliance on predatory lenders.

The Money and Pensions Service found that early financial education improves long-term financial stability, and the FCA reports that low digital literacy is a key barrier to financial inclusion in rural areas.

4. Addressing Cross-Border Banking Challenges

- Streamline cross-border banking solutions to support workers who live in one jurisdiction and bank in another.
- Advocate for clearer policies on salary payments, loans, and currency exchange post-Brexit.

The Central Bank of Ireland has reported that post-Brexit banking restrictions have caused significant delays and complications for cross-border workers.

5. Tackling the Link Between Financial Exclusion and Social Issues

- Prevent coercive lending by expanding access to affordable micro-loans.
- Integrate financial resilience into strategies addressing violence against women and coercive control.

The Women's Aid financial abuse report highlights how lack of financial independence increases vulnerability to domestic abuse. Addressing access to affordable credit can reduce reliance on coercive lenders.

Conclusion: A Call for Action

The withdrawal of banking services in rural Northern Ireland is having a severe impact on community groups, charities, and small businesses. Without urgent action, rural organisations will continue to struggle with financial exclusion – this leads to poor financial practices and bad governance practices in many of our groups.

Without urgent investment in financial services, micro-lending, and digital literacy, rural communities will continue to face economic disadvantage and increased financial risks. Solutions exist, but government support, financial sector cooperation, and community-driven initiatives are essential to ensuring fair and inclusive access to banking.

Annex A Case studies.

This work was compiled in support of work being done by Denise in NICVA with UK Banking and Finance Committees

Case Studies: How This Affects Rural Groups and Businesses

1. Men's Shed – Newry

A Men's Shed group has been attempting to open a bank account since July 2023. Their local Credit Union account does not provide a chequebook and has an upper savings limit, making it unsuitable for their needs. Their attempts to open a business account with the Bank of Ireland have been met with delays, lost paperwork, and

unresponsive customer service. They now face the possibility of using an online-only bank—far from the community-focused, accessible service they had hoped for.

2. Ards Peninsula Community Group

This newly formed group faced immense difficulty opening a bank account. Many banks outright refused to offer them an account, while others required extensive paperwork and in-person visits to Belfast—a logistical nightmare for a volunteer-led rural organisation. Eventually, they opened an account with HSBC but now face monthly fees, adding unnecessary financial strain.

3. Camlough Community Group

A newly established group in South Armagh struggled to find a bank willing to open an account. Online application processes proved difficult for members with limited digital skills. With no high street banking support, they had to rely on the technical assistance of a family member and eventually opted for an online bank, Zendigipay, whose suitability remains uncertain.

4. Local Charity – Magherafelt

After receiving a £500,000 Lottery grant, this charity had to navigate a lengthy and frustrating process to update account mandates following an AGM. With their nearest bank branch located in Ballymena, Derry, or Dungannon, they faced multiple rejected applications and missing paperwork. The charity had to demand in-person service from senior bank officials to get the issue resolved—demonstrating how banks no longer prioritise community-based organisations.

5. Regional Organisation – change to mandate

- Despite multiple mandate updates (2011, 2013, 2015, 2018, 2021, and 2024), the bank still claimed the outdated 2011 mandate was the only one on record.
- When challenged, they could not locate critical paperwork or digital records, forcing you to prove their mistake instead of them taking responsibility.
- The consequence: Account suspensions and credit card blocks, leading to operational disruption and financial distress.
- It took nearly six months to resolve, which is completely unacceptable.
- A 2022 Financial Ombudsman Service report found that over 30% of banking complaints relate to administrative errors and record-keeping failures.
- Small charities and businesses are particularly vulnerable to banking inefficiencies, with 40% reporting that banking problems have delayed or disrupted their operations (Charity Commission 2023).

2. Extreme Customer Service Delays

- Calling to stop a duplicate payment took 2.5 hours to reach the right person, followed by a long delay in actioning the request.
- The entire process took four hours of the finance director's time—a costly and unnecessary burden.

UK Finance reports that wait times for business banking services have increased by over 50% since 2019, as banks reduce staff and push customers towards automated services.

The Financial Conduct Authority (FCA) has received numerous complaints about business banking call centre delays, leading to financial losses for customers.

The Bigger Picture: Barriers to Banking for Rural Groups

- **Excessive Bureaucracy:** Many banks now require extensive documentation and multiple in-person visits, even for simple changes like updating signatories.
- **Digital Divide:** Online banking solutions are not always accessible to older volunteers or those with limited digital literacy.
- **Distance and Cost:** Many rural groups must travel long distances to visit a branch, with some making 40-mile round trips.
- **Limited Banking Options:** With high street banks withdrawing, groups have turned to Credit Unions, but these are often not recognised by funders due to limitations such as no cheque facilities.
- **Lack of accountability—**Our organization had to prove the bank's mistakes.
- **Operational disruptions—**Having accounts suspended for six months severely impacted financial planning and service delivery.
- **Time wastage and inefficiencies—**Four hours to stop a single payment is unacceptable.
- **Serious gaps in customer service—**Essential banking functions should not require navigating multiple departments for hours.