

# UK Finance Submission to the N. Ireland Banking Inquiry – April 2025

**Representing 300 firms, we're a centre of trust, expertise and collaboration at the heart of financial services, championing a thriving sector and building a better society.**

This report has been prepared by UK Finance to assist the Inquiry in delivering on its Terms of Reference. It describes the macro and regulatory environment in which the UK Banking industry operates, some of the national initiatives being undertaken which address many of the Inquiry's concerns and presents a profile of the industry illustrating the competition and choice available to Northern Ireland's (NI) consumers and businesses. The extensive Regulatory Framework within which the industry operates is set out in the Appendix below.

UK Finance is actively engaging with the UK government, recommending a series of initiatives that will benefit the UK population as a whole. UK Finance's Plan for Growth<sup>1</sup> brings together views from across our membership and sets out reforms needed to help the financial services sector make an even stronger contribution to the government's growth agenda, while also delivering benefits for consumers, businesses and society.

The industry welcomes the FCA and PRA's secondary objectives of Competitiveness & Growth of the UK Economy. The current discussion about what more our regulators could do to support economic growth – and the constructive way in which the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA) and others have responded – has created the space to consider bolder reforms, building on the Mansion House reform agenda laid out by the Chancellor of the Exchequer in November 2024.

We want to see the government and regulators take clear steps to:

- Create a pro-growth operating environment
- Ensure our financial system is fit for the future
- Unlock financial services for consumers, businesses and society

Our Plan for Growth proposes specific reforms to help deliver each of these objectives. Amongst these, there are some immediate, near-term and long-term reforms that we believe should be prioritised.

The Finance Committee will be aware that UK Finance represented the NI Banks at the recent Banking Roundtable organised and hosted by the Finance Minister. We understand that the Minister's report has been received by the Inquiry and covers many areas relevant to the Inquiry's Terms of Reference.

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<sup>1</sup> <https://www.ukfinance.org.uk/policy-and-guidance/reports-and-publications/uk-finance-plan-growth>

In preparing this submission, UK Finance has reflected representations made to us by our member firms who operate in Northern Ireland.

**Northern Ireland Banking Market**

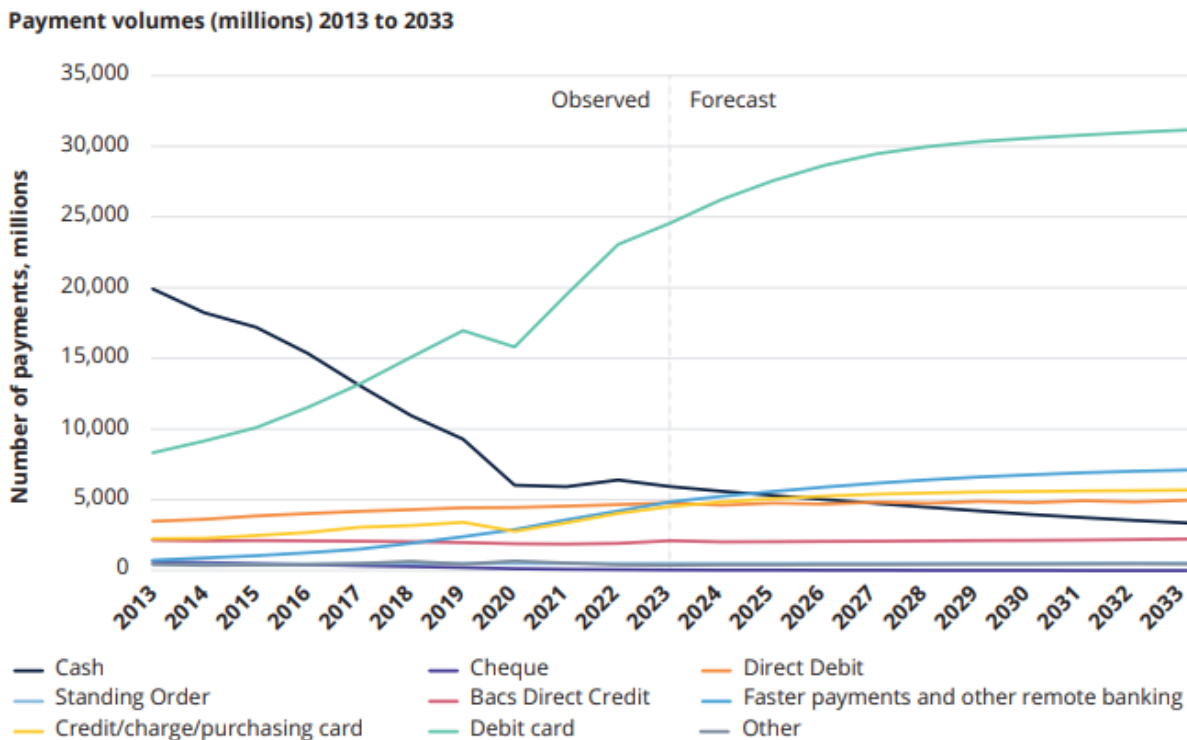
The NI consumer and business banking market is served by a large number of diverse providers including traditional ‘high street’ banks, digital only banks/payment providers, credit unions and alternative funders.

The banking landscape has changed dramatically over the last decade, both in how customers choose to interact with their banks and how they pay for goods and services. Customers now have many more, and in many cases more convenient, digital channels available to them.

UK Finance’s Payments Report (2024) recorded that 87% of UK consumers use remote banking (mobile, on-line or telephone banking) and cited that, in Northern Ireland, 92% of people use remote banking when it comes to operating their main current account.

In terms of mobile banking alone, the surge in users has been dramatic. In 2013 there were around 9 million UK mobile banking users and within ten years this jumped to around 34 million users.

The change in payment habits (both historic and projected) is illustrated by the following chart extracted from the 2024 report which shows the large fall in cash payments and increase in debit card and other forms of payment.



There are around 115 branches in Northern Ireland, multiple bank contact centres, around 1,800 ATMs, around 480 Post Offices (with provision of banking services subsidised by banks) and 6 banking hubs (fully funded by the banks).

At the Post Office you can deposit cash and cheques, withdraw cash, and check your balance. At ATMs you can withdraw cash, check balances and many now facilitate cash deposits. At contact centres you can by phone make payments, transfer between accounts, check balances and seek wider advice. In the banking hubs you can withdraw cash, deposit cash, transfer between accounts, certify ID, get assistance with making payments and seek wider advice.

Banking hubs are a new part of the wider financial services landscape. It is vital that these services are designed for the future, in terms of location and services, and put in place as a sustainable business model for the industry. It is important that banking hub utilisation is monitored over time to ensure that it is viable and the right solution for individual areas. It is important to highlight that generally financial and mortgage advice has not been provided in branches for many years although branches are sometimes used as meeting points for specialist services.

These developments collectively aim to ensure that residents of Northern Ireland, regardless of their location or the prevalent banking trends, retain adequate access to cash, balancing the shift towards digital banking while considering the needs of all community members.

## ***How Financial Services Benefits the Economy***

**The banking and finance sector plays a critical role in supporting the growth, prosperity and wellbeing of every aspect of the Northern Ireland economy and society.**

Financial services is itself a significant sector in Northern Ireland, employing around 20,000 people, of which over half work in the banking sector, many in regional locations. The sector contributes £1.7 billion to the local economy, around 4 per cent of total output. As well as Northern Ireland's traditional high street banks, Santander, Nationwide, Barclays, HSBC BNP Paribas and Lloyds Banking Group all have long-established physical presence in NI, and Citibank employs over 3,000 across its four locations.

Banks provide vital lending support to NI SMEs of around c£7bn and to homeowners of around £23bn, keep safe £24bn cash deposits for business and consumers and support the payments and cash infrastructure which is the lifeblood of the economy. (UK Finance member data).

In a broader context, Northern Ireland boasts deep expertise in trading and banking technologies, with over 2,000 software engineers and systems architects developing trading technology platforms for global capital markets. Both Queen's University Belfast and Ulster University are collaborating with financial industry partners to offer dynamic learning environments for students that allow them to build trading room skills and capabilities under real-time trading conditions.

## ***Personal Banking***

The four traditional local banks (Bank of Ireland, Ulster Bank, Danske Bank and Allied Irish Bank) now represent just over half of the personal current account market (down from roughly 80% c.15 years ago). NI customers now have a wide choice of providers, with many holding personal current accounts with UK national banks with an NI or solely on-line presence such as Santander, Halifax, Nationwide, HSBC, Monzo, Starling and Chase. The NI banking market is more competitive, and customers have greater choice, than ever before.

A recent report from IPSOS/Mori confirms that there is a dynamic and competitive personal banking market in NI. Key findings:

- Current account market share of the traditional local banks has fallen from 62% to 52% in the last ten years, with two UK-wide banks now holding market share positions within the top 4.
- 98% of the NI population hold a current account, up from 92% in 2014.
- Savings account penetration has doubled in the last 10 years to 54%.
- 13% hold a personal loan, compared to just 5% ten years ago.

There is much increased choice for NI consumers, with them now being able to apply for current accounts at over 20 banks/building societies.

## ***Mortgage provision***

The NI mortgage market is highly competitive and operates in a very similar manner to the rest of the UK, with over 20 mainstream lenders offering a wide range of mortgages to NI buyers via intermediaries, along with a small number of direct providers. Other more niche and specialist mortgage lenders also operate in the Northern Ireland market. Income multiples (income versus property value) remain among the lowest of any region in the UK making house ownership attractive.

The three largest mortgage providers in NI are Nationwide, Halifax and Santander, with Danske Bank the only of the traditional local banks in the top 5.

Mortgage lending stock totals c£23bn in NI, representing 2% of the UK's mortgage debt, with an average mortgage size of c£100k, against an average house price at end 2024 of just under £200k. In 2024 there were over 20,000 new mortgages granted, including re-mortgages, totalling almost £3bn of lending to NI homeowners.

## ***Business Banking***

The main banks operating in Northern Ireland support SMEs to start up and scale up, with new lending of c£1.2 billion per annum. The total value of overall SME lending in NI is around £7bn, which is financing growth, creating jobs and boosting economic development.

A recent (Dec-24) research report from Savanta indicates that NI businesses have a wide choice of main banking providers. While the traditional NI local banks still collectively hold around 70% market share, NI businesses also bank with numerous others such as Santander (now larger in the business segment than two of the traditional NI local banks), Barclays, Starling, Halifax, Tide, HSBC, Monzo, Revolut and Nationwide. This illustrates the range of choice available to businesses in NI. NI businesses now have a choice of around 18 providers from whom they can apply to open a business bank account with. Increasingly many small businesses and micro-SMEs are choosing to bank with digital-only providers (who now have c.7% market share in NI).

The UK Finance Business Task Force collates data from the main banks in NI on a quarterly basis. The data will not include all providers, with smaller challenger banks playing an increasingly significant role.

During 2024 the banks which operate in NI, and participate in the survey, processed c5.5k applications for lending, approving c£1.2bn. In recent years borrowing demand has been muted and below the pre-Covid level of c£1.6bn p.a.

Total lending support from these banks to SMEs amounted to £7.2bn at the end of 2024. Borrowing peaked at December 2020, when many businesses availed of the various Covid support loans available at that time. The gradual trend though has been downwards for the past 10+ years, with alternative funders for businesses growing in presence over that time. Meanwhile NI SMEs hold deposits of £13.3bn, twice the level of borrowing. The level of deposits has increased consistently since the start of the Covid pandemic, at which time deposits were £7.8bn. (Note: Household deposits are £15.8bn)

Banks manage all day-to-day payment flows for businesses, facilitating outgoing and incoming payments. They are key stakeholders within the N. Ireland economy, playing a vital role when it comes to generating employment and boosting growth.

The strong support provided to NI SMEs is illustrated from findings of two recent independent reports.

The British Business Bank Nations and Regions Tracker 2024 confirmed that: -

- 53% of NI SMEs agreed that they could borrow as much as they needed in 2023. This compares to 33% in UK as a whole, with NI scoring the highest of all eleven regions used in the survey
- NI Businesses had a high confidence level that their application would be successful, with only 14% saying they would not apply as they felt they would be rejected. This compares to a UK average of 18%. Only one other region had a higher confidence level than NI. Similarly, 76% of NI businesses felt confident in their ability to obtain external finance, compared to a UK average of 60%, with NI being the highest scoring region.

- NI Businesses are also more likely to borrow, with NI being the second highest region in terms of number of facilities and the highest in terms of level of debt (per 10,000 businesses)

The UK Finance commissioned, but independently produced (by BVA BDRC) SME Finance Monitor (2023), included the following findings:

- 51% of NI SMEs borrow compared to a UK average of 46%.
- 56% of NI SMEs are confident that a future application would be successful, compared to a UK average of 48%, with NI scoring the highest of all (12) UK regions.
- 28% of NI businesses had injected personal funds to their businesses in the previous 12 months, compared to a UK average of 36%, with NI scoring the lowest of all 12 regions.
- NI business have a higher 'appetite' for finance, with 47% happy to use external finance compared to a UK national average of 33%, although 42% said that it may be difficult to get finance, compared to 35% nationally.
- 93% of NI SMEs reported that they had been successful in their funding application, with NI being significantly higher than all other regions. This is supported by UK Finance's own quarterly member survey which reports that 90%+ of SME funding applications are approved, consistently higher than the UK average.

## ***Charity Banking***

UK banks play a vital role in supporting the charity sector, contributing to social impact through tailored services, financial assistance and partnerships. The industry does however recognise that there are difficulties encountered by some charities in the opening and operation of accounts and there remains a strong determination to address this. A key issue for both charities, and customers more generally, is the extensive regulatory framework UK Banks must abide by, including Know Your Customer/Anti-Money laundering regulations.

A *Voluntary Organisation Banking Guide* was launched by UK Finance in July 2024. The work was supported by 13 banks and several charity sector representatives, including all three Charity Regulators and NICVA. The guide includes tailored information for both charities and bank staff on account opening, account maintenance, along with a *finder tool* for available accounts.

A key challenge is the numerous legal structures used by charities which include associations, trusts, companies limited by guarantee, community interest companies and charitable incorporated organisation. Which structure used will affect their obligations and responsibilities and also what bank account they can be offered. There is guidance on this within the Guide.

For account opening, depending on the legal structure and also which account they apply for, organisations will be asked for various information and to fill in an account application. Due to the varying structures, banks do not necessarily distinguish between each specific structure and application form terminology may not be typical language that the organisation uses (they

are often a business account application). This does cause issues as there is a disconnect between charity and bank, with charities unsure of what information they need to provide.

Since the introduction of Consumer Duty, banks have been reviewing their customer journeys to upgrade where possible and this includes charities. Digital journeys in particular have been/will be upgraded and some enhancements have allowed for online mandate changes/dual authorisation etc, which were not previously possible at some brands.

Complexity and variety of structures has undoubtedly created operational challenges for both charities and bank staff. It is hoped that with increased training (working with other stakeholders) and further streamlining of processes this will be addressed over time.

## **Access To Cash**

The Inquiry has received a detailed submission from and held an evidence session with Cash Access UK, so will be familiar with their place in the new financial services landscape. LINK conduct Cash Access Assessments to identify gaps in cash services and work with Cash Access UK to implement solutions like maintaining ATMs, enhancing Post Office services and the provision of hubs. The assessment criteria are currently being reviewed by LINK and member firms to ensure they remain effective and deliver appropriate outcomes for communities.

The Inquiry will also be familiar with the report issued recently by the Finance Minister following the December 2024 Banking Roundtable which covers this area in some detail. Northern Ireland has participated in the developments aimed at improving access to cash since 2022, responding to concerns about the decline in physical banking facilities and the impact on various communities. NI has notable areas of rurality; however, this is also the case for many other areas of the UK, especially in parts of Scotland and Wales.

While cash remains a very popular payment method in the UK, particularly for certain cohorts, the share of total payments continues its long-term decline. Cash usage in NI is higher than the national average but is similar to several other regions of the UK such as North-East England and Scotland. NI Banks report that cash usage is notably a feature of small businesses here, with some reporting this to be 80% + of cash processed via their cash centres. ATM withdrawal volumes in the UK more than halved between 2013 and 2023. In NI 90 % of customers who want cash withdraw it at ATMs versus an average of 82% in GB.

Cash is accessed in Northern Ireland through around 1,800 ATMs, around 115 branches, around 480 Post Offices, 6 banking hubs and thousands of retailers who provide cashback at point of sale. The 2024 Post Office network report showed 482 Post Offices in operation in Northern Ireland, with coverage in the region higher per head of population than the average in the rest of the UK.

### ***Actions to improve Access to Cash since 2022***

-Research by ONS in 2022 showed that whilst branch closures have continued at a steady pace in Northern Ireland, the number of bank and building society branches, at that time, per 10,000 residents was higher compared to any other region in the UK.

-There has been a decrease of just 1.1% (21) in the number of ATMs in NI over the past 10 years. (In the UK as a whole there were 47,719 ATMs at the end of 2023, down from 49,953 at the end of 2022 and over 45% lower than at peak). There are more ATMs in Northern Ireland per head of population (around 1,800) than the average in Great Britain.

-Pay Point's 'cashback without purchase' was rolled out at scale to retailers across the UK. Providing a valuable new way to access cash on the High Street, allowing consumers to withdraw cash in convenience stores without the need to buy anything or pay a fee. Consumers can also check balances for free and withdraw any value of notes and coins between 1p and £50, rather than being restricted to notes dispensed by ATMs. There are over 2,000 terminals across UK and over 70 in NI.

-*Regulatory Measures:* The UK government has taken steps to ensure that access to cash remains viable. The Financial Services and Markets Act 2023 introduced a legislative framework to ensure that UK communities have reasonable access to deposit and withdrawal facilities. For smaller banks, including some regional banks operating in NI, the costs of compliance with designation under the Access to Cash is significant and arguably disproportionate to the scale of its operations.

-*Community Solutions:* Initiatives have been launched to maintain and enhance access to cash in rural and underserved areas. This includes the integration of shared banking hubs and multi-bank ATMs, where customers from multiple banks can perform transactions. Other cash 'solutions' include cash back services by retailers and new enhancements at some Post Offices to optimise financial services support.

These developments collectively aim to ensure that residents of Northern Ireland, regardless of their location or the prevalent banking trends, retain adequate access to cash, balancing the shift towards digital banking while considering the needs of all community members.

### ***Banking Hubs***

Six banking hubs are operational in NI, with a seventh planned for Larne, set to open early next year. This will mean that NI has a comparable or greater number of hubs per head of population than the rest of the UK.

Alongside cash, customers can access a range of services in hubs without the need to bring their own digital devices. A pilot on printers is planned for Q2-2025 which will enable them to obtain a paper record if required.

The process to determine the need for a Hub is independently undertaken by LINK applying objective criteria laid down in legislation and regulation. These include proximity to other provision, local geographic complications, vulnerability, etc. There is also a process by which communities can apply for consideration should they believe a case can be made. The industry

and LINK both consider that the impact assessments conducted are now well established and robust.

A key issue for the industry is that, to date, NI hubs are consistently in the bottom decile in the UK for utilisation, which surfaces supply/ demand questions. Cash Access UK report that in January 2025, Kilkeel, Newcastle and Comber were averaging between 30-50 transactions per day compared to a UK average of 129, with the largest hubs seeing over 200. We understand that Cash Access UK are planning a communications campaign in N. Ireland to help people better understand the services hubs provide to individuals and businesses.

Distribution needs to be led by commercially orientated usage data to ensure that hubs are sustainable where they are located. In some locations an enhanced Post Office or suitable alternative service might be a more appropriate solution.

## ***Financial Inclusion***

Many banks have been running financial education programmes for a long time as part of their wider ESG, charitable and community activities. However, as a society, we need to work together better than ever before to increase the level of financial education/literacy and thereby address financial exclusion.

New authorised push payment (APP) Fraud regulations have seen the promotion of educational campaigns aimed at informing consumers about the risks of fraud, empowering users to make more informed decisions about their finances. This is a vital area in which a wide range of stakeholders, including the Banking Industry, can and should play a role in addressing digital exclusion of many in our society.

The new regulations not only provide a needed safety net for victims of fraud but also support broader initiatives to promote financial inclusion by building trust in digital financial services and making a safer, more inclusive financial ecosystem. This helps attract a wider demographic to participate in modern financial systems, which is a crucial aspect of financial inclusion.

With increased protections, individuals who might previously have been wary of using online banking services may feel more secure to participate, advancing financial inclusion. People can utilise a broader range of financial services with confidence, knowing there are safety nets in place. Also, banks are incentivised to enhance their fraud detection and prevention systems - leading to safer banking environments and practices that benefit all customers, not just those directly affected by APP fraud.




But more needs to be done. The Banking Industry welcomes the Government's Financial Inclusion Commission. UK Finance are actively involved in this initiative, seeking to address six key aspects of financial inclusion:

- Access to Credit
- Digital Inclusion and Access to Banking

- Financial Capability
- Insurance
- Problem Debt
- Savings

It is important that NI is properly represented within the various workstreams to ensure our local voice is heard.

**Figure One; Financial Inclusion**

	<p>The behavioural shift to increased digital (mobile) banking will continue to evolve and accelerate</p>
	<p>Therefore, enhanced government and provider educational initiatives are needed to support digital inclusion and increase confidence, in the use of digital banking methods. Particularly regarding scams and fraud – to safeguard consumers.</p>
	<p>The industry will continue to invest in the appropriate mix of branch, contact centre, post office and digital channels to meet the needs and expectations of customers.</p>

## ***Conclusion***

The Banking and wider Financial Services sector plays a critical role in supporting the growth, prosperity and wellbeing of the NI economy and wider community. Banks provide critical lending support and deposit services to businesses and homeowners and support our core payments and cash infrastructure.

It is vital that that we retain a strong and vibrant banking sector and an environment that encourages banks to invest and grow to support jobs, both direct and indirect, and wealth creation and to fulfil its potential. The sector plays a critical role in supporting the NI Executive Programme for Government across a range of priorities including growing a globally competitive and sustainable economy and providing more social, affordable and sustainable housing.

The UK Government recognises the opportunities offered by the banking sector and has reflected this in its review of the PRA and FCA's objectives, to include supporting the international competitiveness of the sector. The NI banking market is dynamic and highly competitive, as illustrated by the choice and diversity of providers available to consumer and businesses. NI businesses and consumers have never had a greater choice of banks and banking channels.

Banks, like other commercial entities, and society as a whole, must adapt to meet the technological and societal changes and challenges we face in a sustainable way.

It is recognised that changes will have impacts particularly on some cohorts of society, but the challenges faced in NI, for example in financial exclusion, are no different to many other regions of the UK. As part of the wider community the industry is fully committed to work with government and other stakeholders to recognise and meet the needs of our businesses and communities.

## **Appendix**

### ***The UK Regulatory Framework***

The Banking Industry is highly regulated at a national (UK) level, primarily by the Prudential Regulation (PRA) and the Financial Conduct Authority (FCA). Banks operating in NI are subject to the same standards as those in the rest of the UK and other regulators with an interest in banking and financial services, in addition to the FCA and PRA, include:

- Payment Systems Regulator<sup>2</sup>
- Financial Reporting Council
- Competition and Markets Authority
- Information Commissioners Office
- Pensions Regulator
- Lending Standards Board

The industry is also overseen by several public bodies:

- Bank of England
- Financial Ombudsman Service
- HM Treasury
- National Crime Agency
- Money and Pensions Service
- Financial Services Compensation Scheme
- HM Revenue and Customs
- Pay.UK

As part of this UK Regulatory and Legislative Framework NI Banks comply with the relevant national programmes and initiatives under both voluntary codes and regulatory supervision. This has seen recent new rules and regulations in areas such as Branch and ATM closures, Access to Cash, Treatment of Vulnerable Customers, Consumer Duty Lending Standards, APP Fraud, Capital Regulations and account closures.

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<sup>2</sup> To be absorbed into the Financial Conduct Authority

Many of these initiatives are directly relevant to issues raised by the Inquiry, and the concerns expressed by witnesses are not unique to NI. The cost and resourcing of compliance is material and is a particular burden for smaller regional banks.

### *Consumer Duty*

In line with new regulatory expectations under the Financial Conduct Authority's Consumer Duty, the financial services industry has invested significantly to achieve higher standards of consumer protection. The scope of this new regulation has been far reaching - in asking firms to align their strategic ambitions, business models and operations under a principle to 'act to deliver good outcomes for retail customers'. In considering good outcomes, the industry has reviewed their approaches across: Products and Services, Price and value, Customer Understanding and Customer Support.

In general, with the new Consumer Duty, customers should expect an improved marketplace for financial services, which promotes healthy competition and higher, evolving standards – and this environment ultimately protects them more than ever before.