Northern Ireland Assembly

Committee for Finance

Inquiry into the Northern Ireland Banking and Financial Services Landscape

Ordered by the Committee for Finance to be published 10 September 2025.

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Report: NIA 112/22-27 Committee for Finance

Contents

Powers and Membership

Powers

The Committee for Finance is a statutory departmental committee established in accordance with paragraphs 8 and 9 of Strand One of the Belfast Agreement and under Assembly Standing Order No 48. The Committee has a scrutiny, policy development and consultation role with respect to the Department of Finance and has a role in the initiation of legislation

The Committee has power to:

- consider and advise on Departmental budgets and annual plans in the context of the overall budget allocation;
- consider relevant subordinate legislation and take the Committee Stage of primary legislation;
- call for persons and papers;
- initiate inquiries and make reports; and
- consider and advise on matters brought to the Committee by the Minister of Finance.

Membership

The Committee has 9 members, including a Chairperson and Deputy Chairperson, and a quorum of five members. The membership of the Committee is as follows:

- Matthew O'Toole MLA (Chairperson)
- Diane Forsythe MLA (Deputy Chairperson)
- Dr Steve Aiken OBE MLA
- Phillip Brett MLA
- Gerry Carroll MLA

- Jemma Dolan MLA[1]
- Paul Frew MLA
- Deirdre Hargey MLA
- Eóin Tennyson MLA

[1] With effect from 11 February 2025 Miss Jemma Dolan replaced Miss Nicola Brogan

List of Abbreviations and Acronyms used in this Report

DoF: Department of Finance

FSU : Financial Services Union

FSB : Federation of Small Businesses

CCNI: Consumer Council in Northern Ireland

ILCU: Irish League of Credit Unions

UFCU: Ulster Federation of Credit Unions

RCN: Rural Community Network

NFSP: National Federation of Sub Postmasters

SME: Small and Medium sized Enterprises

BSA: Building Societies Association

ABI: Association of British Insurers

FIL: Finance Innovation Lab

FCA: Financial Conduct Authority

NICVA: Northern Ireland Council for Voluntary Action

CIPFA: The Chartered Institute of Public Finance and Accountancy

PfG: Programme for Government

FSMA: the Financial Services and Markets Act 2023

FIC: Financial Inclusion Committee

Executive Summary

1. This is a very unusual Finance Committee Inquiry as it investigates reserved matters and not a devolved Finance portfolio. However, the Department of Finance has the lead on banking and financial services issues in the Executive, with the Finance Minister having re-established the Banking Forum last year, which comprises the banks and other relevant stakeholders. Moreover, it is clear that the Northern Ireland banking market is inherently distinct from that of Great Britain for a number of reasons, so a greater local policy focus was worthwhile. Members felt that Finance was the appropriate Committee to pursue these issues and believe that there are actions that the Executive can take and that the Assembly should apply scrutiny.

2. However, much of the evidence produced by the Inquiry will be for the consumption of the Financial Inclusion Committee (FIC) which is tasked by the UK Government with producing a Financial Inclusion Strategy. Members agreed that this Inquiry would provide evidence to help shape the Strategy and the Committee has written to the FIC to share its findings.

3. The Committee would like to thank all those who have contributed to this Inquiry through their written and oral evidence and through the research papers they have provided. The timing of this Inquiry coincides with the UK Government's development of a Financial Inclusion Strategy, and the Department for the Economy's consultation on the modernisation and reform of credit unions; as well as the rollout of banking Hubs proceeding here, and the Financial Services and Markets Act being implemented from last year. It is the Committee's hope to use the findings of this Inquiry to be able to engage with these developments, using the evidence that Members have received to make the case for actions that will meet the unique banking and financial services needs of businesses and consumers here.

4. The Committee first decided to investigate this issue at its Strategic Planning Session, prompted by the number of local bank branch closures since 2020, as well as the arrival of Banking Hubs. The Committee's chief concerns include the impact that this changing landscape is having on individuals and businesses in terms of access to cash and advice, as well as the barriers that are causing

financial exclusion here. Members are also concerned that there is less competition in the banking and financial services sectors here, causing the offering the individuals and businesses to be less advantageous than other parts of the UK.

5. With the ongoing scaling back of the traditional bank branch network, and associated loss of access to cash as well as face-to-face services, but also widespread technological change, Brexit and new market entrants, the Committee agreed that now is the time to assess the state of the industry in Northern Ireland. The inquiry examined the services currently offered to local communities and businesses as well as the difficulties faced by vulnerable sections of the population.

6. The local banking landscape in Northern Ireland is distinct, with a market historically dominated by locally operated providers. We have higher levels of rurality and a greater proportion of micro, small and family-owned businesses. There are also cross-border banking issues faced by consumers and particularly micro businesses in border areas. It is therefore crucial that local policymakers gather comprehensive evidence specific to Northern Ireland. Additionally, collation of more localised data around banking and financial services is needed to allow local ministers to take actions that are within their remits, but to also to proactively lobby the FCA and UK Government on local needs.

7. While the local banking market has been historically dominated by all-island entities, branch closures by these all-island banks have been faster in Northern Ireland than the Republic of Ireland. This is reflective of the fact that banking is not a devolved issue, blunting the Executive’s ability to intervene with regard to the commercial influences on the banks and financial services providers here. The shrinking number of bank branches here means that businesses and consumers reliant on branches have fewer options than their counterparts in neighbouring jurisdictions; and the options which are available do not generally apply localised criteria. In the case of local businesses, they are often concerned about taking on debt – even if prudent and worthwhile for investment purposes - without tailored advice, which is much less locally accessible than in the past.

8. The FCA suggests that gaps in cash access can be filled with a range of measures, including Banking Hubs, ATMs (including deposit ATMs) and Post Office facilities. The Committee believes that these options do not always provide definitive solutions to issues in every area or community without physical banking facilities. The Committee received evidence from Retail NI regarding the expense of operating a Post Office. It is noteworthy that the FSMA does not give the FCA the power to prevent the closure of bank branches. However, the new rules require banks to fully explain their decision to close, particularly in situations whereby closures will leave significant gaps in local cash access.

9. While the Committee welcomes the introduction of Banking Hubs here, Members believe that Hubs cannot be seen as a one size fits all solution to the problem of bank branch closures. Local communities may need other, better solutions to fulfil their needs. The Committee also believes that rules around the timescale for bank closures with respect to the opening of a Hub in a particular area may need to be more flexible, with Lisnaskea cited as an example of a community without bank branches that was denied a Hub because of timing issues. Equally, Members are clear that the Hubs do not represent a like for like substitute for traditional bank branches. Work needs to be done between Cash Access UK and business organisations here to increase the services the Hubs provide, including for small and micro businesses.

10. It is clear to the Committee that charging for the use of rural ATMs is a key issue which needs to be considered as part of the UK Government’s Financial Inclusion Strategy and has written to the Financial Inclusion Committee to highlight this.

11. The Committee heard from post office operators of the struggle they face to make the service sustainable and the National Federation of Sub Postmasters advised the Committee of the limits of post offices compared to banks. It is imperative that these sources of banking and financial services remain viable to support access to cash and advise for a broad range of NI consumers and businesses.

12. The Committee is very supportive of the Consumer Council’s view that financial inclusion can only be enabled with digital inclusion. Any Financial Inclusion Strategy from the UK Government must include a series of measures that support digital inclusion for consumers and businesses as well as promoting a greater degree of financial literacy, particularly amongst vulnerable communities.

13. For businesses the traditional mainstay of the high street bank was invaluable in creating lasting relationships. The Committee heard from stakeholders that lending to small businesses is consistently low and commercial banks were criticised for failing to serve SMEs. SMEs, which make up 99.8% of businesses here, employing 77% of the private sector workforce. They are also responsible for over 70% of private sector annual turnover. Figures provided to the Committee suggest that lending to SMEs is £4bn less today than it was in 2014, a cash comparison which does not account for inflation. It was suggested to the Committee that lending processes that commercial banks have in place are often challenging for small, and particularly micro, businesses. Though many of these processes are regulatory requirements, the committee heard that many small businesses felt poorly supported in navigating them. The Committee heard that some small businesses have had a positive experience of using online ‘challenger’ banks in terms of ease of opening and operating accounts. In their evidence to the Committee UK Finance stated that demand for SME lending has been reducing steadily and the market is shrinking as a result.

14. Additionally, the Committee heard of the difficulties faced by the third sector with respect to opening and operating bank accounts and Members believe that it is clear that a UK Government Financial Inclusion Strategy must take account of the issues raised by charities and voluntary organisations.

15. Evidence provided to the Committee regarding credit unions highlighted the benefits that they can provide to local communities and reflected on the fact that there deposits are retained and reinvested locally. However, Members also heard about the difficulties that they face, including the need for legislative and other reform and modernisation to allow them to operate more flexibly, as well as a need for more governmental support. The Committee has contributed to

the Department for the Economy's consultation on credit unions to highlight the issues shared with Members.

16. Evidence provided to the inquiry highlighted that consumers here struggle to gain easy access to small sum lending and while the Credit Unions cater to for this to a degree, there needs to be scope for lending smaller sums to those on very limited means. There is potentially scope for community-based lending in partnership with banks/building societies based here. Partnerships such as these could also act as hubs for improving banking and digital literacy.

17. Members also heard about new barriers to cross-border banking services which have emerged, as a result of both the loss of 'passporting' rights and the relative decline of branch networks. This has made various forms of cross-border banking, for example mortgage processes for frontier workers, more difficult and cumbersome. There are also consequences for businesses large and small, as testified by several of the local banks, which appear not to be fully understood by the Financial Conduct Authority. The Committee hopes they are reflected on by the UK Government in its financial inclusion strategy.

18. This inquiry has shown that there are a number of circumstances particular, or more particular, to businesses and consumers in Northern Ireland with regard to the use of banking and other financial services, compared to their counterparts in Great Britain and the Republic of Ireland. In the view of the Committee this requires a tailored response from the FCA, the UK Government, the Executive and, most importantly, the banks and financial services providers. The UK Government's forthcoming Financial Inclusion Strategy provides an excellent opportunity to put in place mitigations for these issues, as well as bringing forward create solutions to the loss of bank branches and localised banking and financial services options in communities here.

19. Evidence heard by the Committee reinforces that the Executive must recognise community wealth-building and the importance and scope of what can be achieved. As has been reflected to the Committee, the community, voluntary and social enterprise sector is a deeply embedded and important part of our local economy. The Committee will look further into community wealth building

following the pilot from the Department for Communities, Department for Economy and Department of Finance.

20. Additionally, the Committee has agreed that it will consider the development of a mutual bank as a separate, follow-on investigation in the future if further developments arise on this matter.

Summary of Recommendations and Agreements

21. The Committee finds that there are a range of unique issues in the Northern Ireland banking and financial services market, ranging from cash reliance to an historically distinct market to greater rurality and cross-border issues. These factors need to be better understood by UK Government policymakers and regulators, with clear and tailored policy responses. The Executive has a critical role to play in communicating these issues.

22. The work of the UK Government's Financial Inclusion Committee (FIC) broadly overlaps with the issues that have been identified in this Inquiry. The Committee **agreed** to write to the FIC to highlight the issues that have been raised by this Inquiry and to ensure that they are considered by the FIC to help support its development of a Financial Inclusion Strategy.

23. While the Millisle 'Community Access to Cash' project was undertaken as part of a UK pilot scheme, there are a number of lessons to be learned from the project that could be applied in other communities here. The Committee **recommends** that the Finance Minister examines the Millisle project and, along with Executive colleagues, sees what aspects of it can be applied in other communities here where there are financial access and inclusion issues.

24. The Committee **recommends** that there needs to be further consideration given to a stronger oversight role for the FCA, with greater power to intervene where needed to ensure the best interests of those using banks and other financial services. The FCA must do more to monitor and mitigate against the differences in the NI banking and financial services landscape that disadvantage consumers here, which include increased rurality, reliance on cash and issues affecting cross-border banking. The Committee **agreed** to write to the Financial Inclusion Strategy Committee to highlight this.

25. The Committee notes that several witnesses expressed concern about processes and ease of accessing banking services, including lending, but providers indicated a low appetite for borrowing. The Committee **recommends** that the Economy department undertakes further investigation on how well the

banking sector, including new entrants and peer to peer lenders, are supporting local small businesses.

26. While welcoming the Banking Hubs that have been established here, the Committee agrees that they do not replace bank branches, however, Members acknowledge that they continue to evolve and are part of the solution to bank branch closures. The Committee **agreed** to write to Cash Access UK to highlight the issues raised around Hubs and to seek an understanding of plans for their continued evolution, as well as the need for greater transparency in decision-making, particularly when communities like Lisnaskea are denied a Hub.

27. The Committee is concerned that Post Offices are seen as a full replacement for bank branches that have closed in an area. They do not provide the same services and many struggle to be sustainable. It is not sufficient for there to be an expectation on the part of the banks that the Post Office will fill the void left by branch closures. The Committee has **agreed** to raise this with the FCA and Cash Access UK.

28. Members have already **agreed** to write to the Economy Minister to **recommend** that she considers the evidence that this Inquiry has received around the roles and potential of the Credit Unions as part of the Department for the Economy's consultation, 'Credit Union Modernisation and Reform'. This correspondence will be copied to the Committee for the Economy.

29. The Committee **recommends** that the Minister and the Economy Minister engage with the Progressive Building Society and the ILCU UFCU to explore the potential for their involvement in community-based lending partnerships, as well as their possible utilisation as financial literacy hubs.

30. The Committee welcomed the engagement of the Association of British Insurers with the Inquiry and **agreed** to write to relevant Executive Ministers to highlight the issues they raised with regard to the higher premiums paid by consumers here, including higher compensation and replacement vehicle costs here, and to ask them to investigate these issues.

31. Therefore, the Committee **recommends** that the Minister investigates how Dormant Assets might be utilised for small scale lending.

32. The Committee has concerns that deposits gathered and held locally by banks are not being used for localised benefit and our funding lending elsewhere. Most banking and financial services bodies operating in NI are not locally headquartered and have no specific remit, mandate or mission to invest deposits and funds they receive locally on any kind of localised basis. This is where local building societies such as the Progressive Building Society or other bodies such as the Credit Unions have a distinct role. The Committee **recommends** that the Finance Minister works with the Economy Minister through her Credit Unions consultation to consider ways in which the Executive can better this sector and local building societies.

33. The Committee **recommends** that the Executive looks at public funds that are available and consider whether there are alternatives ways that departments and, perhaps, councils which hold these funds can leverage them into supporting localised banking and financial services provision and, in so doing, effect community-based investment and change. Members wonder whether there is something that could operate in a similar way to FTC, but on a more localised basis.

34. The Committee **recommends** that the Finance Minister leads his Executive colleagues in looking at trends in technology around the provision of banking and financial services and consider whether there is work that can be done across departments to provide appropriate education for vulnerable groups to support their financial inclusion. This should be community-based. Options must be developed for ensuring that young people have access to information on the operation of banking and financial services through specific lessons and through practical application in the wider curriculum.

35. As banking and financial services are a reserved matter, the Committee **recommends** that the Executive uses the NSMC and British Irish Council as well as other cross-border and inter-jurisdictional bodies to address the issues raised by this inquiry regarding a better deal for businesses and consumers here.

Introduction

36. Since the Committee for Finance was established in this current mandate, a key concern for Members was the local banking and financial landscape. The Committee has noted media reports that Northern Ireland has suffered a high number of bank closures.

37. The Committee has considered the work progressed by the Minister of Finance, including work with the authorities regarding the implementation of the new regulatory regime, work with the Treasury and work with other Executive colleagues. Members also noted that the Minister held a Banking Roundtable with stakeholders from the banking and financial services industry in November 2024.

38. A key pillar of the Executive's current **Programme for Government** is to, ***'Grow a Globally Competitive and Sustainable Economy'.*** The Executive indicates that it will do this:

> 'Through a series of multi-million-pound committed investments, we will make this a more vibrant and inclusive place to live, work, invest and visit. Central to every part of our plan for a globally competitive and sustainable economy will be employers and workers. Supporting them to build the skills needed both now, and in the future, will be vital if we are to harness our economic potential'.

39. To achieve this key aspect of the PfG, businesses and individuals need to have access to a sound banking and financial services base locally. The Committee's Inquiry highlights that, for many, this is not the case. Although banking and financial services is a reserved matter, the highly distinctive Northern Ireland banking sector and other factors requires local understanding and a tailored response. The Executive has already recognised this via the establishment of the Banking Roundtable. There is further scope for the Executive to to act to support a vibrant, community-based source of banking and financial services. In this way, the Executive would have much more input into the achievement of its policies and priorities. Priorities in this section of the PfG highlight productivity

and good jobs and regional balance – these need localised economic growth for that and for that to happen there must be sources of local funding.

40. At its meeting on 11 September 2024, The Committee agreed to explore how it can engage with relevant stakeholders in the local banking sector and conduct research into the local financial services landscape.

41. The UK Government announced in December 2024 that it would develop a **Financial Inclusion Strategy.** To this end, the UK Government set up a Financial Inclusion Committee to support the development of the Strategy in April 2025 which will report by the end of this year. The Committee's mission is to tackle barriers to individual and households' ability to access affordable and appropriate financial products and services.

42. The Committee brings together key stakeholders from the third sector and industry (including trade bodies) to, "…develop, coordinate and implement interventions to support financial inclusion in the UK, and advise the UK Government on the development of its financial inclusion strategy".

43. The Committee will focus on the following areas:

- Digital inclusion and access to banking services
- Savings
- Insurance
- Affordable credit
- Problem debt
- Financial education and capability

The work of the UK Government's Financial Inclusion Committee (FIC) broadly overlaps with the issues that have been identified in this Inquiry. The Committee agreed to write to the FIC to highlight the issues that have been raised by this Inquiry and to ensure that they are considered by the FIC to help support its development of a Financial Inclusion Strategy.

44. Research commissioned by the Committee showed that in an analysis of bank closures from 2020 to 2023, 21% of consumers had seen their local bank close within this period.

45. Research also indicated that that living in Northern Ireland makes an individual more than twice as likely to rely on cash than a similar individual in England. Additionally, not being in employment, being permanently sick/disabled or being retired makes an individual 83% more likely to rely on cash than average.

46. The Committee undertook preliminary briefings with FSU and Cash Access UK. The press release following these meetings can be found here. Subsequently, the Committee gave consideration to undertaking a formal Inquiry into aspects of the banking and financial services locally. Members wished to explore how banking and financial services were provided currently in Northern Ireland, including alternative options for banking including the use of banking hubs, credit unions and the potential for the development a mutual bank.

47. At its meeting on 21 October 2024, the Committee for Finance agreed to launch an inquiry into the local banking and financial services sector, focusing on how well the industry meets the needs of both consumers and businesses and the subsequent press release can be found here. As part of this Inquiry, the Committee agreed to hear evidence from representatives of banks, credit unions, UK regulators and local businesses, as well as relevant targeted stakeholders. The Committee considered the scope and terms of reference at the Committee's meeting on Wednesday, 13 November; with formal agreement the following week.

48. Research and preliminary briefings have helped to shape the **terms of reference** for the Inquiry. Members will take evidence through this inquiry to allow the Committee to:

   a) Consider the current context/landscape of Banking and Financial Services here, including the impact of bank branch closures on individuals and businesses, as well as the issues unique to Northern Ireland that mitigate against financial inclusion, and consideration of the new Financial Services & Markets Act 2023 impact in NI;

   b) Consider ways to promote financial inclusion here, including an examination of Banking Hubs and other innovations, community and other solutions with respect to individuals and businesses;

c) Consideration of how potential policy interventions at Department, Executive and UK government level might be specifically applied to the Northern Ireland context to improve financial inclusion, including a potential UK Government Financial Inclusion Strategy;

d) Consideration of community wealth-building measures and how these have been successful in neighbouring jurisdictions;

e) Undertake preliminary work to scope a further Committee investigation around more significant interventions, such as the creation of a co-operative or mutual bank here; and

f) Highlight themes/make recommendations on issues raised.

Committee Approach

49. Oral and written evidence was taken from a targeted and significant number of relevant stakeholders;

- Cash Access UK
- Financial Services Union
- Federation of Small Businesses
- Consumer Council NI
- Retail NI
- NI Council for Voluntary Action
- Advice NI
- Development Trusts NI
- Irish League of Trade Unions
- Ulster Federation of Trade Unions
- NI Rural Community Network
- NI Rural Women's Network
- Millisle Community Association
- National Federation of Sub Postmasters
- Kilkeel Chamber of Commerce
- Building Society and Bank Representatives
- Association of British Insurers
- Finance Innovation Lab
- Financial Conduct Authority

- RaISe support

50. The Committee also agreed to undertake visits and events related to the Inquiry;

- Kilkeel Banking Hub (April 2025)
- Balmoral Show (May 2025)

Formal Evidence Sessions

51. The Committee began formal evidence sessions on 9 October 2024 with a briefing from Assembly Research on the current financial services landscape in Northern Ireland.

52. This was followed by a briefing from the Financial Services Union. They called for greater transparency of the criteria and findings regarding the location of Banking Hubs, including credible local consultation and presentation of findings to local councils. Polling undertaken by the FSU show that a majority indicate that they would like a bank branch that is convenient for them and allows them to undertake face-to-face activity. The polling also highlights that a majority of respondents would like a choice in how they bank.

53. The Committee then received a briefing from Cash Access UK, which is responsible for basic banking services across the UK on behalf of its member banks, including Banking Hubs and deposit services, with a view to providing more services over time according to demand and the practicalities of delivery.

54. Cash Access UK stressed to the Committee that there can be no return to the 1980s when multiple banks operated on every High Street. They indicated that even where bank branches exist, they require customers to undertake key transactions and services over the phone with representatives in a call centre. They state that the Banking Hubs are a relatively new innovation and will continue to evolve over time based on relevant feedback and pilot programmes that are being undertaken.

55. The Committee took evidence from the Federation of Small Businesses at the meeting of 6 November 2024. They referred to their report on the Future of the

High Street. They recommend that the UK Government should establish a 'Banking Hub Setup Fund', funded by the high street banks, to assist in covering the purchase and setup costs of banking hubs on high streets or in town centres. They also recommended that the Financial Conduct Authority should require banking hubs to maintain small business and cash infrastructure services as an essential component of their remit. Major UK high street banks should: Sign up to maintain their place in the Post Office Banking Framework for at least the next five years, to guarantee continued provision of cash infrastructure for businesses and their customers.

56. The Consumer Council for Northern Ireland also gave evidence on 6 November 2024, highlighting their Access to Banking Services report published in August 2023 which highlighted that between May 2020 and January 2023, 52 bank branches closed in NI, representing 27% of the total. The CCNI's further analysis suggests that the likelihood is that this figure will reach 40% in 2025. The CCNI has concerns of the impact that this will have on financial inclusion, with the most vulnerable in society being the worst affected.

57. On 15 January 2025, the Committee took evidence from Retail NI. They highlighted a number of key issues such as the lack of access to cash in rural areas and lack of understanding of the needs of the rural population which impacts disproportionately on elderly and those on benefits and the impact of new market entrants to the banking sector and how these entrants meet the needs of all local businesses.

58. At its meeting on 22 January 2025, the Committee received an oral briefing from Assembly Research on the preliminary considerations involved in the creation of a co-operative or mutual bank. Members heard about the essential differences between what could be offered by mutual banks as opposed to the current services offered by the credit unions and considered in detail the merits and demerits of introducing a regional mutual bank in Northern Ireland.

59. On 19 February 2025, the Committee received evidence from the Irish League of Credit Unions and Ulster Federation of Credit Unions. The ICLU argued that credit unions promote financial inclusion by providing an alternative to high cost, payday, and illegal lenders. They also referenced a number of challenges facing

credit unions including regulation from London, lack of devolved oversight, fewer product options, lack of appeal from younger customers, difficulty in succession planning and inadequate financial support for digitalisation. Credit unions are also paying for access to cash for communities through fees with banks as well as security and transportation of physical cash.

60. The UFCU highlighted to the Committee a number of challenges including: lack of funding from Westminster compared to that received by GB credit unions; lack of collaboration between local councils and credit union sector; credit unions facing the burden of paying rates on their properties; and the threat of Individual Voluntary Arrangements in NI.

61. On 26 February 2025, the Committee heard from the Rural Community Network and NI Rural Women's Network. The RCN highlighted how the shift to digital banking has not been straight forward in rural NI due to a lack of digital literacy, limited access to technology, unreliable broadband and mobile data coverage as well as affordability concerns.

62. On 12 March 2025 held a session with the Millisle Community Association. Millisle was part of the pilot for the 'Community Access to Cash' project which was launched across the UK. Of the eight locations involved Millisle was the only area piloting the project in Northern Ireland.

63. The Community Access to Cash project was an independent initiative supported by the major banks, consumer groups, and groups representing small businesses. Features in Millisle included a refurbished post office, cashback with and without a purchase through six retailers, coin recycling through 'Shrap' offered in 22 retailers, a free-to-use ATM on the High Street and education sessions provided by the local community.

64. Millisle also successfully campaigned for a Credit Union branch to be opened in the village in 2022.

65. **While the Millisle 'Community Access to Cash' project was undertaken as part of a UK pilot scheme, there are a number of lessons to be learned from the project that could be applied in other communities here. The Committee recommends that the Finance Minister examines the Millisle**

project and, along with Executive colleagues, sees what aspects of it can be applied in other communities here where there are financial access and inclusion issues.

66. On the same day, the Committee received evidence from the National Federation of Sub Postmasters. Issues highlighted by the NFSP include; the increase in cash handling and cash withdrawals facilitated by the post office network in NI, socio-economic value of the post office network for both SMEs and the wider public and the key role that post offices play.

67. On 2 April 2025, the Committee visited Kilkeel Baking Hub in order to gain first-hand experience of the work of a banking hub and to witness the essential services it provides to the local community. The Kilkeel hub was the first of its kind in Northern Ireland. The Committee viewed the hub's counter services, operated by the Post Office, which allow customers of all major banks to conduct regular cash transactions and held personal discussions with the Community bankers from the various banks who rotate daily and offer personalized assistance with customers who have complex banking issues.

68. The Committee also received evidence during their visit from the Kilkeel Chambers of Commerce. You can find the Committee press release of the visit here.

69. On 9 April 2025, the Committee held an evidence session with representatives from the Building Societies Association (who also represent Nationwide) and the Progressive Building Society which is local to Northern Ireland.

70. The BSA indicated that the banking hub model is a high-cost option that ignores the existing infrastructure (and lower cost) of regional building society branches. The Progressive do not believe that there is a need for a co-operative/mutual bank in NI.

71. On the same day the Committee heard from the banks that are represented on the Northern Ireland Committee of UK Finance: Barclays Bank, Ulster Bank, Santander, Bank of Ireland, Danske Bank, Allied Irish Bank; as well as UK Finance, to hear their views on the current banking landscape in Northern Ireland.

72. Banks have consistently argued that a significant and consistent decline in footfall over a period of years is largely responsible for the closure of branches here. They believe that increasing numbers of people are banking online and over the phone and the rise in online only banks supports this assertion.

73. UK Finance highlighted that there are more ATMs in NI per head of population than the average in GB. In relation to NI banking hubs, they questioned whether they would be utilised properly or whether they are sustainable suggesting that an enhanced post office or other alternative service might be a more appropriate solution. They gave a commitment that the banking industry is committed to working with government and other stakeholders to meet the needs of businesses and communities.

74. On 7 May 2025, the Committee received oral and written evidence from the Association of British Insurers as, although the Inquiry's focus was primarily on the Banking aspect of the terms of reference, insurance falls into financial services and there are a number of issues that Members believe to be particular to the Northern Ireland insurance market.

75. The ABI noted that the higher cost of motor claims in Northern Ireland is predominantly due to the higher cost of compensation for bodily injury, which is estimated at about 40% higher for an average bodily injury claim compared to England/Wales. The cost of providing replacement vehicles in Northern Ireland is also higher than in England and Wales or in Scotland, while the costs of claims from theft tend to be lower on average than elsewhere in the UK.

76. At its meeting of 21 May 2025, the Committee received oral evidence from the Finance Innovation Lab. They suggest that a Fair Banking Act, based on the Community Reinvestment Act in the US, has the potential to create a step change on financial inclusion across the UK. FIL highlight that as part of a National Financial Inclusion Strategy, such an Act would:

- enable individuals currently excluded to have better access to services such as affordable credit, to become more financially resilient;
- drive capital to small businesses, tackle business financial exclusion, and unlock regional growth; and

- support an ambitious scaling of the purpose-driven finance sector.

77. The Committee ended its formal evidence sessions at the meeting of 28 May 2025 with a briefing from the Financial Conduct Authority. In the context of a decline in cash access facilities, the FCA were tasked with seeking to ensure reasonable provision of cash access services. New rules came into force in September 2024 requiring banks and building societies designated by the UK Government to assess and fill gaps, or potential gaps, in cash access provision that significantly impact consumers and businesses when changes are made to existing services or upon community request. The FCA indicate that as a result of these new rules, communities are getting additional or upgraded cash access services.

78. The Financial Conduct Authority may well need greater powers to intervene with banks and other providers of financial services. In its evidence to the Committee, the FCA highlighted the limits on its powers and its reliance on co-operation from the banks and other financial services providers.

79. **The Committee recommends that there needs to be further consideration given to a stronger oversight role for the FCA, with greater power to intervene where needed to ensure the best interests of those using banks and other financial services. The FCA must do more to monitor and mitigate against the differences in the NI banking and financial services landscape that disadvantage consumers here, which include increased rurality, reliance on cash and issues affecting cross-border banking. The Committee agreed to write to the Financial Inclusion Strategy Committee to highlight this.**

80. **The Committee notes that several witnesses expressed concern about processes and ease of accessing banking services, including lending, but providers indicated a low appetite for borrowing. The Committee recommends that the Economy department undertakes further investigation on how well the banking sector, including new entrants and peer to peer lenders, are supporting local small businesses.**

Committee Survey

81. The Committee launched a survey on the Inquiry at the Balmoral Show on 14 May 2025. The survey was then promoted through the Committee's social media accounts. The survey closed on 18 June 2025.

82. There were a total of 23 questions in the survey and the Committee received 49 responses. It should be noted that while 49 responses received cannot be seen as representative of the Northern Ireland populace as a whole, the responses received were invaluable for providing some insight into banking habits here.

83. There were a wide range of responses from all age ranges, with most coming in the 45-54 age bracket (35%), with 57% of the total saying they are male and 43% female.

84. There were responses from every council area in Northern Ireland, with the most coming from Lisburn and Castlereagh with 22%. There was close to even split on the question whether the respondent considered themselves to live in an urban (24%), urban outskirts (37%) or rural area (39%). 61% of respondents are employed, 16% self-employed with 22% describing themselves as other.

85. The vast majority of respondents bank with 'traditional' banks, with 84% responding that their primary account is with one of these 'high street' banks. Respondents indicated that they bank with a wide number of different bank or building societies, the most popular being Danske with 24%. The respondents stay loyal to their banks with 86% saying they have been a customer with their primary bank for more than 5 years. 32% of respondents also do not have another bank account.

86. The most popular factor as to why a respondent chose their bank was due to the convenient location (27%), with reputation not far behind (23%). The vast majority of respondents have a current account and a savings account with their primary bank, taken together totalling 64%.

87. 72% of those surveyed are either very satisfied or somewhat satisfied with the customer service provided by their bank or building society. There is a close to an equal split on how the customers interact with their bank, 35% use online

banking, 30% use the mobile app, 29% go to their bank in person with only 7% using the phone or call centre.

88. When asked what was the last time they visited their bank in person, 35% responded within the last month with 30% not visiting for over a year. This could be as a result of 45% of respondents indicating that they have more than 6 miles to travel to visit a bank branch.

89. Most customers were either satisfied or very satisfied with their bank branch experience, customer service experience and responsiveness to issues with at least 60% approval on these issues. There was a more mixed response for branch convenience with a near split between those who are satisfied and those who are not.

90. Of the digital banking features available, person to person payments ((28%), bill payments (25%) and mobile deposits (13%) were the most popular options. 70% of respondents rated the online banking services as either excellent or good. 72% also rated managing their bank account online as extremely easy or easy. 70% also stated that they would either be very likely or likely to recommend their bank account to friends or a colleague.

91. 65% of those surveyed are aware of the existence of banking hubs, it should be noted that 35% were not aware of banking hubs. 82% advised that they had never visited one. This shows that more must be done to raise the profile of banking hubs, most of which are in County Down as present.

92. Some general comments made by the respondents include complaints about the loss of their local branch. Comments include, “loss of a local service not appropriate”, “Strabane will be down to one bank from July, which is disgraceful”, and “Staff are good but access to bank is problem. Have to go to Saintfield, it closed, now Downpatrick. Don't trust any other means but in-person banking. Don't use cards, go into bank to lift money. Use cheques a lot. Have doubts about online banking and don't use it”.

Summary of themes

93. During the Committee’s formal evidence taking, several key themes were identified. These are summarised below into key sections.

Financial Services and Markets Act 2023

94. The first of the Committee’s terms of reference for this inquiry indicates Members will consider the Financial Services and Markets Act (FSMA) 2023. The Committee has heard a number of references to the FSMA while taking evidence for the Inquiry. The Act came into force in September 2024, around the time that the Committee first considered undertaking this Inquiry. Schedules 8 and 9 of the Act give the FCA and the Bank of England powers to regulate retail cash access and wholesale cash distribution respectively. The FCA described the FSMA as follows:

> “[It] gave us a new remit and powers for the purpose of ‘seeking to ensure reasonable provision’ of cash access services, meaning cash deposit and withdrawal services for personal and business current accounts. This includes access to both notes and coins, and access that is free of charge for consumers with personal current accounts”.

95. Therefore, the Act puts an onus on the FCA to ensure ‘reasonable’ access to cash. The Committee believes that there is work for the FCA to do around this remit with regard to more closely considering the unique characteristics of the NI landscape. The FSMA also states that the largest banks and building societies – as designated by the UK Government, are now required to conduct local cash access assessments before closing branches. The local cash access assessments are to examine what facilities are available within the area, and the impact of service closures. These assessment processes are to be approved in advance by the FCA. Where the assessments find an additional service is required, firms must implement this before closing the existing service or within set timeframes, and inform consumers. In theory, this means that areas where physical bank provision is ending there will be other provisions put in place and this is where Banking Hubs can provide a remedy. However, as the

Committee has seen, there are areas that have fallen through the gaps, such as Lisnaskea, because of regulation and timing issues.

Access to Cash

96. Access to Cash was one of the main themes that were identified during the inquiry. This stemmed from the use of cash, bank or building society closures, the launch of banking hubs in Northern Ireland and the reduction of numbers of ATMs. Access to Cash affects private individuals, businesses and the voluntary & community sector.

97. These changes were identified by UK Finance who advised the Committee that "the market in Northern Ireland has changed dramatically over the past 10 to 15 years in three particular areas: how customers pay for goods and services; the number of different banks that are operating; and the choice that consumers have."

98. The Committee also noted a Bill passed by the Dáil to ensure that there is no decline in cash access in the Republic of Ireland.

Use of Cash

99. The CCNI advised the Committee that cash usage is in decline and therefore the number of facilities providing cash access services, mainly withdrawals and deposits, such as bank and building societies and ATMs are also in decline. Despite this, cash remains an important method of payment for many consumers and businesses, and reliance on cash is higher in Northern Ireland, particularly amongst more vulnerable groups.

100. The FCA published research which found the strongest association with reliance on cash was if someone:

   a) had low digital capability or poor digital access (four times as likely)

   b) was in a low-income household of less than £15,000 a year (three times as likely)

   c) was not employed (twice as likely)

d) was in poor health

e) lived in an urban area

f) lived in Northern Ireland or Scotland

101. New rules came into force in September 2024 from the Financial Conduct Authority requiring banks and building societies designated by the UK Government to assess and fill gaps, or potential gaps, in cash access provision that significantly impact consumers and businesses when changes are made to existing services or upon community request.

102. The FCA advised the Committee that the rules are, “carefully drafted to say that, when a bank is considering closing a cash provision service — a branch or an ATM — or when a community makes a request, there must be an undertaking to look at the particular community needs in that area and to make sure that the bank is responsive to them”. The Committee welcomes these rules, however, Members believe that their application may need further consideration, particularly in situations where there are mitigating factors.

Banking Hubs

103. Banking hubs offer a counter service operated by the Post Office:

a) Customers from banks and building societies can carry out regular cash transactions, Monday to Friday, such as pay in cash/cheques, withdraw cash, check balances, pay bills and top up their gas/electricity.

b) Business customers can use the counter services to make cash withdrawals, cash and cheque deposits and other cash services, including floats and coinage.

c) There is a Community Banker service where customers can talk to their own bank about more complicated banking issues, who work on rotation, with a different bank available on each day of the week. Representation varies from hub to hub as Community Bankers are provided by the banks with the most local customers, and banks ‘opt in’ to this based on their customer base in the area.

104. The UK Government has committed to working with industry to ensure 350 new banking hubs are delivered across the UK. A banking hub is a shared banking space on the high street. They are owned by Cash Access UK, who oversee the banking hub rollout, and are operated by the Post Office, in partnership with ten of the UK's biggest banks: AIB NI, Bank of Ireland UK, Barclays, Danske Bank, HSBC UK, Lloyds Banking Group (Halifax), NatWest Group (Ulster), Santander, TSB and Virgin Money.

105. Northern Ireland currently has five operational banking hubs in Kilkeel, Warrenpoint, Portrush, Newcastle and Comber.

106. Cash Access UK advised the Committee that they have "regular interaction with the FCA." They also confirmed that "Hubs are deployed on the back of branch closures, as the Committee is probably aware. They could also be deployed on the back of a community request. That is a really important feature of the model whereby anybody with an interest in access to cash in a community can ask LINK to carry out a cash assessment of their town, and LINK can then make a recommendation that is based on what it finds."

107. Retail NI stated that new banking hubs are a welcome development, but they are not a like for like substitute for traditional bank branches. They look forward to working with hub operators to increase the range of services available for local businesses. They recognised the importance of businesses making use of the hubs if they are to be a long-term success. Retail NI Conceded that it is too early to say whether they will become embedded in local communities as effectively as branches have traditionally been.

108. The Financial Services Union agreed with this assessment, stating in their oral evidence that, "a banking hub is no replacement for a full working branch. An individual sitting with a laptop one day a week offering minimum banking services is not what businesses or communities require. Hubs can, like a post office, complement the offering of banks, but they cannot replace them. We have three hubs in Northern Ireland: one opens five days a week; one opens four and a half days a week; and the other opens four days a week. It is not a full banking service as we know it, nor does it offer the same access to banks."

109. The FSU argued for a “blended model of banking, banking hubs are complementary to the existing banking structure and not a replacement for community bank branches.”

110. The Kilkeel Chamber of Commerce outlined the difficulties with banking hubs: “There is no doubt that bank closures leave a void. There is still stuff that people are unable to do at the banking hub”.

111. The Progressive critiqued banking hubs, stating in their evidence that, “the Westminster Government have committed to having 350 across the UK. The key point, though, is that there are an awful lot more than 350 communities that will not have a bank or building society branch. The banking hubs have a role to play, and we will see that evolve.”

112. The Committee believes that the Hubs cannot always be applied as a one size fits all solution to the problem of bank branch closures. Support should be available if local communities believe there are other, better solutions to fulfil their needs. The Committee also believes that rules around the timescale for bank closures with respect to the opening of a Hub in a particular area may need to be more flexible, with Lisnaskea in NI cited as an example of a community without bank branches that was denied a Hub because of timing issues. Equally, Members are clear that the Hubs do not represent a like for like substitute for traditional bank branches. Work needs to be done between Cash Access UK and business organisations here to increase the services the Hubs provide.

113. **While welcoming the Hubs that have been established here, the Committee agrees that they do not replace bank branches, however, Members acknowledge that they continue to evolve and are part of the solution to bank branch closures. The Committee agreed to write to Cash Access UK to highlight the issues raised around Hubs and to seek an understanding of plans for their continued evolution, as well as the need for greater transparency in decision-making, particularly when communities like Lisnaskea are denied a Hub.**

ATM Access

114. The Committee noted a news story that NI is the "cash heaviest" part of the UK, with the average adult withdrawing £2,274 in 2024.

115. Retail NI advised that many retailers, particularly in rural areas, are essential providers of ATM facilities but this comes as a cost. Several of the association's 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.

116. 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. Retail NI advised that they have seen the number of available ATMs decrease province wide as they become uneconomical for retailers to run.

117. The RCN outlined difficulty for those from rural areas, they call the changing financial landscape a "growing crisis". They advised the Committee that ,"the biggest issue for our rural population tends to be access to cash and to ATMs. Where there is access to ATMs, it tends to come with a financial penalty."

118. It is clear to the Committee that charging for the use of rural ATMs is a key issue which needs to be considered as part of the UK Government's Financial Inclusion Strategy and has written to the Financial Inclusion Committee to highlight this.

Bank Closures

119. In their oral evidence, Retail NI stated that, "There are understandable reasons for the bank closure programme, but it is not restricted just to many rural areas. Indeed, on the Ormeau Road… not a single bank is left. In Ballyhackamore, where our office is, you would be hard pushed to find a single bank left along the length of the Upper and Lower Newtownards Roads".

120. The Building Societies Association noted to the Committee that, "if you look at the three building societies, you will see that they are the only retail banking

institutions outside of credit unions that have not closed any branches since 2020…the customer ownership model allows mutuals to focus on the long term, on domestic growth and on supporting their communities. They do not have external shareholders to satisfy”.

121. Danske Bank in their oral evidence to the Committee stated, “We recognise the need and desire of people to come into branches to transact, in particular, more complex banking needs. We know that, in rural communities, access to cash through post offices is a really important service for us. Despite some closures, there are still 40 post offices, or more, available in Fermanagh. That is now an important part of the financial landscape in Northern Ireland. The combination of post offices, bank branches and contact centres means that, if you are not digitally connected, you can still do the vast bulk of your daily banking.”

122. UK Finance advised the Committee that, “the provision of banking services over post office counters is a commercial arrangement that is funded entirely by 30 banks across personal banking and 14 or 15 banks across commercial banking. It is actually fully funded by the banking sector. It is, effectively, the rent for the use of post office counters”.

123. However, the Committee heard from post office operators of the struggle they face to make the service sustainable. It is imperative that these sources of banking and financial services remain viable to support access to cash and advise for a broad range of NI consumers and businesses and, therefore, the Committee will be seeking evidence of how they will be helped by a Financial Inclusion Strategy.

124. As part of its evidence to the Committee, the Consumer Council shared its ‘Access to Banking’ report. The report highlights that when announcing branch closures, banks make a point of referencing local Post Office branches as alternative sources for customers to access their banking services. While it is helpful that these services are offered, it is entirely dependent on a commercial agreement between the banks and Post Office Limited to support it. There is no statutory requirement for Post Offices to offer a banking service. This raises potential concerns about the ongoing sustainability of this arrangement. As already outlined in this Inquiry, many Post Offices are struggling to be

sustainable. Additionally, have other issues facing local Post Office branches. It could therefore be suggested that simply relying on Post Office branches to pick up the services previously supplied by banks and cannot meet all consumer banking needs.

125. **The Committee is concerned that Post Offices are seen as a full replacement for bank branches that have closed in an area. They do not provide the same services and many struggle to be sustainable. It is not sufficient for there to be an expectation on the part of the banks that the Post Office will fill the void left by branch closures. The Committee has agreed to raise this with the FCA and Cash Access UK.**

126. In their written evidence to the Committee, CIPFA states "the main challenge here is that many rural and low-income communities in Northern Ireland have limited access to banking and financial services due to branch closures and poor digital infrastructure."

127. Bank branch closures over the past number of years, and the impact that these have had on a number of local communities, has been a key factor in motivating the Committee to undertake this Inquiry. Despite reassurances from the 'local' banks that they remain responsive to local needs and lending, Members believe that more can be done. However, the Committee is well aware that the banks are commercial entities and their decision-making reflects that. While the Committee is also keenly aware that the move towards digital banking is an ongoing trend, Members believe that much can be done by the banks, FCA and the UK Government's Financial Inclusion Strategy to ensure that vulnerable communities are supported to be able to better engage with banking and financial services.

Difficulties for Consumers

128. In June 2023, the Consumer Council published its Access to Banking Services research which found that between May 2020 and January 2023, 52 bank branches closed in Northern Ireland, some 27% of the total network. The impact was widespread.

129. 21% of consumers had seen their local bank branch close. Of those affected:

- 84% said that it had impacted them personally, and 48% said the closure had impacted them and/or their local community;
- 94% of consumers with a disability said the closure had an impact on them, and 70% said the impact was major;
- 90% of consumers on a low income said the closure had an impact, with 60% saying it was major;
- 54% of older consumers and 53% of rural dwellers said the impact was major; and
- 81% said banks should improve consultation regarding bank closures.

130. Distance to a banking service (including bank branches and post offices):

- 40.2% of the population lived within 1km of a banking service;
- 66.7% lived within 2km of a banking service but 59% of rural population lived more than 2km away from a banking service;
- 44% of consumers over 65 lived within 1km, and 46.3% of consumers with a disability lived within 1km;
- 72% of consumers living in urban deprived areas, lived within 1km. In Lisburn and Castlereagh Council only 50.8% of those living in urban deprived areas lived, within 1km; and
- 24% of electoral wards had no banking service at all.

131. CCNI stated in their oral evidence that they accept that ,"the financial services sector is shifting to new delivery models, such as banking hubs, for example, but they must offer the range of financial products and services, and service local community needs, in an accessible and responsive way. We cannot achieve financial inclusion without digital inclusion. Many vulnerable groups who may already be marginalised from mainstream access can struggle with digital literacy and capability, and that, in turn, increases their barriers to access".

132. They expressed hope that the new FCA rules, “will come into play to protect consumers and their access to cash”.

133. The Committee is very supportive of the Consumer Council’s perspective that financial inclusion cannot be achieved without digital inclusion. Any Financial Inclusion Strategy from the UK Government must include a series of measures that support digital inclusion for consumers and businesses as well as promoting a greater degree of financial literacy, particularly amongst vulnerable communities.

134. Retail NI outlined their concern to the Committee about the impact on the most vulnerable in our community, which includes those on benefits and pensioners. As benefits are 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’ banking for them. People in urban areas aren’t affected as badly with accessibility. People in rural areas are potentially more vulnerable due to mobility issues, with there often being a greater distance to the nearest cash centre.

135. Advice NI advised that relationship-banking, where trust is built between the bank and its customers, has practically disappeared. Banks have replaced local decision-making which was based on trust and local knowledge of customers with centralised services and machine-generated decisions. Today’s customers are more sceptical of banks. Pre 2008, banks were generally viewed as safe and as acting with integrity. That view has changed. A UK survey in 2018 showed that two thirds of people didn’t trust banks to work in the best interests of society.

136. The RCN outlined that those living in rural areas are, “struggling generally to open bank accounts, not just because they are having to travel to do so but because of the evidence that they are having to provide. Online banking solutions are not always accessible to our older volunteer members, who are more likely to struggle with digital literacy, which is also a massive issue in rural communities”.

137. The National Federation of Sub Postmasters advised the Committee of the limits of Post Offices compared to banks “We get people coming in who want more from their banking, not just cash withdrawals and deposits. What about mini-statements, for example, and the ability to submit applications for current accounts and saving accounts through the post office? Those are all things that have been mentioned time and time again but have not happened”.

138. Research published by the FCA last July under the title, ***‘An empirical analysis of characteristics associated with cash reliance in the UK’***, specifically highlighted that living in Northern Ireland heightens the likelihood of individuals being more reliant on cash than their counterparts in the other parts of the UK. While cash usage has declined in the developed world over the last number of years, there are a number of groups for which it is still the main form of exchange. There are a range of reasons for this, including the convenience of using cash and trusting cash above the use of digital methods.

139. However, there are a number of factors identified in the FCA research that are more linked to those who are vulnerable, low paid, work in the gig economy or on zero hours contracts and who are more likely to live in poverty. These include: it is easier to budget using cash; using cash helps me to avoid going into debt; cash allows me to maintain my independence; cash use allows the avoidance of extra charges associated with other payment methods; being paid in cash; not having access to the internet to banking online, which includes a higher proportion of older people; having a disability making the use of the internet difficult; and not having a bank account.

140. There are a higher proportion of people here who combine these characteristics. Additionally, incomes here are generally lower and there are higher levels of digital exclusion, as well as levels of rurality here that are double those of other parts of the UK. The FCA research highlights characteristics with the strongest association with cash reliance are digital exclusion and being in a low-income household. The FCA’s 2024 Financial Lives survey shows that 10% of adults in Northern Ireland do not have any savings, making it more likely that they are not engaged with digital banking services.

Difficulties for Businesses

141. In their written evidence, Retail NI stated that small businesses are amongst those feeling the most noticeable impact of the closure of bank branches, the reduction in the use of cash and the growth of electronic banking. Whilst we are entering a new technological era, many businesses face the reality of inconvenience and much reduced personal service.

142. Retail NI 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. They felt that there have been positive steps such as banking hubs and post office services, but that the rural community has been poorly served. Retail NI reiterated that technology is not the answer to all problems.

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

144. For businesses the traditional mainstays of the high street bank were invaluable in creating lasting relationships. Retail NI say they created a vibrancy which is difficult to replace, and many of their members have commented that many remaining branches are adopting a minimalist approach, with few opportunities for interaction and “hollowed out” surroundings.

145. Retail NI stated that 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. None of their members wish to have to hold onto large quantities of cash for obvious reasons.

146. Advice NI advised the Committee that lending to small businesses is consistently low and commercial banks are criticised for failing to serve SMEs. SMEs make up 99.8% of businesses in NI: they employ 77% of the private sector workforce; and are responsible for over 70% of private sector annual turnover. Lending to SMEs is £4bn less today than it was in 2014. Adjusting for

inflation, that equates to £6.5bn less lending to SMEs, which is £6.5bn less investment the local economy.

147. Advice NI say that lending systems that commercial banks have in place are not SME friendly and require a lot of paperwork that many very small businesses simply can't provide. Onerous systems are needed when lending is not done on trust at a local level where relationships can be built.

148. The Financial Services Union in their evidence to the Committee advised that, "The impact of a branch closing can be a 64% drop in lending to the SME sector".

149. The Federation of Small Businesses referred to an example where, "there is very positive feedback about online challenger banks ... One business owner said that the application to Starling Bank took just 30 minutes to complete and was approved within 24 hours. By comparison, their application to one of our local banks took eight weeks from start to approval. Therefore, the challenger banks are coming in: the move to digital is providing very real competition".

150. Bank closures have a serious effect on town centres and also impact on local businesses; the Kilkeel Chamber of Commerce advised the Committee, "The banks did not just employ banking staff: those staff shopped locally, and people who travelled to the banks spent locally. The closures encouraged those people to spend elsewhere, which has impacted negatively on the town".

151. In FSB's Banking on Small Business report the key findings were as follows;

a) 85% of small business respondents primarily use traditional banks, whereas 22% have accounts with online 'challenger' banks. Notably, among businesses established in the past five years, 34% report using a challenger bank.

b) 44% of small business respondents use multiple financial service providers.

c) 56% of respondents believe that having a dedicated point of contact within the bank is essential, but only 35% of respondents were aware of having access to this.

d) Almost a fifth of respondents have had a financial product or service application refused, and 6% have had a business account closed or service withdrawn without their request.

e) Respondents reported lengthy waiting timings – average time to open a business bank account was 31 days and average time to secure a business loan was 32 days, with some businesses reporting wait times of several months.

f) The above issues have led to increased use of personal banking products and services for business use – 42% of respondents have used a personal account and 29% have used a personal loan for business purposes.

152. UK Finance stated in their oral evidence to the Committee that, “the demand for SME lending has been reducing steadily. There was a spike when businesses took advantage of the COVID loan schemes but, generally speaking, the trend is that the business banking market that these guys are competing for is shrinking. As loans repay, deposit levels are significantly in excess of the level of debt in the SME. Twice the number of SMEs deposit as borrow. Obviously, the ones that borrow need it; the ones that make deposits do not, so there is that dynamic. UK Finance gathers statistics on loan approval rates from all regions and all banks, and the approval rates in Northern Ireland are consistently higher. There is a shrinking market”.

153. CIPFA argue that, “the business finance landscape has changed significantly over recent years with the diversification of finance sources as tracked most recently in Northern Ireland SME Access to Finance Report by the British Business Bank. Although Invest Northern Ireland's Access to Finance initiative has invested over £200 million in over 1,250 NI businesses since 2011 to support start-ups and SMEs, the British Business Bank's report indicates that 21% of SMEs in Northern Ireland faced barriers when trying to access finance, with the most common obstacles being the ability to obtain funding.”

Difficulties for Voluntary & Community Sector

154. NICVA highlighted during their evidence that issues for the voluntary and community sector started to emerge during Covid when many of the banks stopped offering bank accounts to new organisations. While some of the High St banks are now offering a bank account for charities or voluntary organisations, they argue that the wait time to get the account opened is unreasonable. It can take three months or even longer for an account to be opened.

155. Over the last few years, many organisations with existing bank accounts have experienced issues with trying to maintain their bank account. The issues can be summarised as follows:

- Bank accounts being frozen, and in some cases closed;
- Dual authorization not always provided;
- Bank not accepting the charity's governing document;
- Bank not communicating what the issues are with digital uploads;
- Bank call centre staff not being able to tell what the issues are;
- Trustees needing to attend a branch in person for ID verification;
- Bank not sending letters to current signatories of the account;
- Banks losing information;
- All trustees having to provide personal info, not just the signatories;
- Bank charging fees for providing the account; and
- Difficulty opening a bank account on the High St.

156. Bank closures and a move to digital have resulted in a lack of client-facing bank staff that have knowledge of the voluntary sector legal structures. Having to update the business bank profile digitally has caused issues as the bank uses

language that is unfamiliar or inappropriate for charities, and some digital processes are not user-friendly.

157. Issues have also emerged with banks' over-zealous approach to preventing fraud, money laundering, and terrorist financing. Some banks are now asking for more detail and ID verification from charities about their whole board/committee members and not just the account signatories. Each bank has its own specific requirements and processes.

158. There have been various instances of charity bank accounts being frozen by their bank and, in some cases, the bank account being closed. This can happen when updating the bank mandate, or when the bank asks that the business profile be updated online. As the digital processes are designed for businesses, they do not use language appropriate for charities and the call centre staff, in a lot of instances, are not able to help as they don't seem to know what the problem is. The process can go on for up to a year or over as the bank keeps asking for more information. The complexity of the process and the lack of intuitiveness from the bank's digital systems are very stressful and frustrating for Trustees.

159. New organisations wanting to open a bank account for the first time have also been left frustrated with the wait time to open an account, sometimes taking several months with High Street banks. The introduction of monthly fees on some bank accounts has also left limited options of free banking for charities.

160. Retail NI advised the Committee that, "the community role is worth pointing out, because, sometimes, that is the missing link. We can be very focused on the economy, jobs and access to finance. Our members, who you can find in every village, town and city of Northern Ireland, very much see the importance of that community role. In many respects, the provision of ATMs and post offices has filled the void that was left by so many banks closing their branches".

161. Development Trusts NI in their oral evidence to the Committee advised the Executive to recognise community wealth-building and the importance and scope of what can be achieved. They state that ,"the community, voluntary and social enterprise sector is a fundamental part of our economy in the North of Ireland. It is a foundation piece of our economy. Many of our organisations are

large employers that put wages into the pockets of people who, in turn, put money into homes, houses, businesses and local communities. If we do not recognise the collective contribution that they make to the economy, we are doing them and ourselves a disservice".

162. UK Finance stated that ,"The difficulties that charities have with opening and maintaining bank accounts, financial digital inclusion and financial education are challenges that face customers and society alike in Northern Ireland and GB. "

163. AIB admitted that they, "specifically open charity and voluntary accounts as business accounts". Thus confirming the issues raised by NICVA.

164. Ulster Bank also confirmed difficulties in dealing with the voluntary and community sector stating, "you have a complex set of circumstances: strict regulatory requirements, unusual corporate structures and, sometimes, people who are not used to dealing with this type of thing".

165. Members believe that it is clear that a UK Government Financial Inclusion Strategy must take account of these issues raised by the third sector.

Alternative Banking (Mutual & Credit Unions)

Mutual Banks

166. At its meeting on 22 January 2025, the Committee received an oral briefing from the Assembly Research and Information Service (RaISe) on the preliminary considerations involved in the Creation of a Co-operative or mutual bank. Members heard about the essential differences between what could be offered by mutual banks as opposed to the current services offered by the credit union model and considered in detail the merits and demerits of introducing a regional mutual bank in Northern Ireland. Prudential Regulatory Authority issues licenses for banks.

167. Advice NI believes a Northern Ireland mutual bank would be beneficial stating to the Committee, "a mutual is owned by its members and is regional, so it can operate only within the region that it is licensed to operate in. It is not driven by profit and is ethical in its lending, especially for small businesses. It focuses on

financial inclusion, building trust with its members and being able to make decisions at local levels. A mutual bank offers all the same banking services that you would expect from a modern bank. You get your personal and business current accounts, overdrafts, business loans, debit cards, mortgages, electronic payments and foreign exchange".

168. They also say that, "With a mutual bank, there is also a focus on reintroducing banks into communities…Rather than having flagship buildings that are very costly, those branches could operate out of existing community facilities such as a community centre, a local shop, a local credit union or a local post office. Therefore, they would not incur the same running costs. The automated branches are a kind of halfway house between a physical branch and online banking".

169. The Progressive indicated to the Committee that they do not believe that there is a need for a co-operative/mutual bank in NI stating in their oral evidence that there are, "lots of banking opportunities in Northern Ireland. There is lots of competition in the market. We have local banks, the big GB banks and the mutuals".

170. The Irish League of Credit Unions stated to the Committee that they, "do not see a mutual bank as being viable in a Northern Ireland context."

171. Assembly Research has given the figure of £20m investment potentially needed to establish a mutual bank. It would not be answerable to shareholders and, as they don't have to make profits ,could redistribute the wealth. A danger is one of the larger banks coming and buying the mutual bank up so there would potentially need to be some sort of protection in law to prevent this.

172. The Committee subsequently agreed that the potential for development of a mutual bank would be a separate follow-on investigation.

Credit Unions

173. At the meeting of 19 February 2025, the Committee received evidence from the Irish League of Credit Unions and the Ulster Federation of Credit Unions.

174. The ILCU outlined that credit unions in Northern Ireland face several challenges due to their regulatory environment, market dynamics, and evolving member expectations. These include:

- Regulation from London: Northern Ireland's credit unions are regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA), meaning they must comply with rules designed for the broader UK financial sector, which do not always suit our community-based model.

- Lack of devolved oversight: NI credit unions are regulated from London, where they are seen as an extremely niche sector. Those regulators don't or often can't understand the role that credit unions play here.

- When compared to our counterparts in Republic of Ireland, credit unions here have fewer product options, particularly in areas like mortgages, debit cards and current accounts.

- Younger consumers, accustomed to mobile banking and instant transactions, may not find traditional credit unions appealing.

175. In their oral evidence, the ILCU advised that, "the withdrawal of high street banks and limited access to cash services have left many individuals and small businesses struggling to access basic services. Where possible, credit unions have stepped in to fill the gap, often at their own expense, offering services, savings and loans, facilitating government payments and, in some areas, supporting local businesses with cash lodgement services. However, we are not banks and we face challenges in continuing to provide those services. We pay substantial fees to access banking services and clearing houses and to provide payment services to members".

176. The UFCU outlined to the Committee the lack of funding from Westminster which has greatly hindered its development. They drew the Committee's attention to Credit Unions in Great Britain receiving in excess £180m of investment to help develop the credit union sector. Funding has come from Westminster, Scotland and from Wales, together with funding from local

councils. During the same period the UFCU received £20k with colleagues in the ILCU's also receiving £20k.

177. In their oral evidence, the UFCU called for legislative reform as it had not been substantially updated since 1985: "a credit union is currently caught in a catch-22 situation: it would potentially like to lend to corporate members or community organisations, but, if a credit union has a loan book of £7 million, the 10% cap means that it can loan only £700,000 to corporate members…The difficulty is that our regulations, from the Bank of England, do not let credit unions invest in a company. Therefore, we could not set up what we call a "credit union service organisation" which would be able to do all the nitty-gritty analysis of the business loan side of things and reading accounts".

178. The RCN advised the Committee of an example where one community group, "struggled to find a credit union that would accommodate it... A lot of credit unions will say, "No. We cannot accommodate community groups". After finding a credit union that was willing to open an account, there were multiple ID checks and face-to-face appointments...The credit union account does not provide a chequebook, which is something that a lot of community-led organisations require".

179. On the differences between credit unions and building societies, the Building Societies Association outlined, "the largest credit unions in the whole of the UK are larger than some of the smallest building societies. There are two key differences; one is that credit unions specialise more in unsecured lending than in secured lending. A small number of credit unions do limited mortgage lending, but it is very limited. Their primary business is in unsecured lending, and it tends to be smaller-value lending. The second difference is that they are limited under legislation to a common bond, so they have to define what their population is".

180. The Finance Innovation Lab in their advocacy for a Fair Banking Act stated that, "it could mean that the credit union and CDFI lending sectors could increase their annual lending for individuals and businesses thirteenfold, from about £250 million to £3·3 billion annually, and, for SMEs, it could lead to an increase in

turnover of £3·9 billion and create or maintain just under 10,000 jobs over five years".

181. Use of Credit Unions is already higher in Northern Ireland than any of the neighbouring jurisdictions and they are firmly embedded in communities all over NI. However, they get much less support than their counterparts in GB and the Republic of Ireland. The Executive and, potentially, local councils, might mitigate some of the particular issues faced by NI businesses and consumers with regard to banking and financial services by working with the credit unions in a more constructive and pro-active way.

182. The Committee is aware of a consultation on 'Credit Union Modernisation and Reform' having been brought forward by the Minister for the Economy. In the Minister's foreword to the consultation she indicates that the consultation:

> "…seeks to engage directly with credit unions, members and non-members, and key stakeholders to explore how we can create a legislative, regulatory and operational environment that enables credit unions to thrive. It proposes better legislation, investment in digital transformation, and new opportunities to lend for sustainable and community-focused projects. This will help credit unions promote financial inclusion and ultimately contribute to my vision of a regionally balanced economy, in which everyone shares in the benefits of prosperity".

The consultation is pursuing four goals:

a) To enable Credit Unions to more actively reach and serve their local communities, especially underrepresented groups;

b) Updating legislation to keep up-to-date with developments in other jurisdictions and enable Credit Unions to offer wider services, support local businesses, and fund local community initiatives;

c) To empower Credit Unions to adopt and deliver modern digital services and technologies, improving convenience and security for members; and

d) To maintain and strengthen the unique ethos Credit Unions, ensuring sustainable growth aligns with members interests and community needs.

183. The Committee welcomes and is supportive of the consultation and its goals. Indeed, the consultation anticipates the issues that the Committee would wish to raise with the Minister regarding the need for greater support and widening of the functions for Credit Unions and for legislative reform to achieve this. The consultation is one of the serendipitous events referred to above.

184. **Members have already agreed to write to the Economy Minister to recommend that she considers the evidence that this Inquiry has received around the roles and potential of the Credit Unions as part of the Department for the Economy's consultation, 'Credit Union Modernisation and Reform'. This correspondence will be copied to the Committee for the Economy.**

185. The Committee also believes that there are actions that must be taken at a UK level as part of the Financial Inclusion Strategy to support necessary changes to the way that the sector is regulated and operates.

186. Evidence provided to the inquiry has highlighted that consumers here struggle to gain easy access to small sum lending and while the Credit Unions cater to for this to a degree, there needs to be scope for lending smaller sums to those on very limited means. It is clear from the evidence provided to the Committee that eligibility criteria and thresholds for such lending need to be more reflective of the higher levels of poverty and inequality here. Reflective of the CRA model that the Finance Innovation Lab suggested, this would be community-based lending in partnership with a bank that operate in NI. The Progressive Building Society with its 11 local branches might be utilised for this purpose. Both the Progressive's branches and the Credit Unions could be utilised to provide community-based hubs for financial literacy.

187. **The Committee recommends that the Minister and the Economy Minister engage with the Progressive Building Society and the ILCU UFCU to explore the potential for their involvement in community-based lending partnerships, as well as their possible utilisation as financial literacy hubs.**

Insurance

188. The Committee also noted in their conversations with the ABI differences in insurances claims between NI and GB.

189. The ABI noted that the higher cost of motor claims in Northern Ireland is predominantly due to the higher cost of compensation for bodily injury, which is estimated at about 40% higher for an average bodily injury claim compared to England/Wales. The cost of providing replacement vehicles in Northern Ireland is also higher than in England and Wales or in Scotland, while the costs of claims from theft tend to be lower on average than elsewhere in the UK.

190. They also stated that, “the lack of regulation of claims management companies means that consumers in Northern Ireland do not enjoy the same level of protection or redress when things go wrong and they are unhappy, compared with consumers in GB”.

191. It is clear to the Committee that there needs to be local action taken to address these issues. However, Members are of the view that the operation of the insurance market in both NI and GB is less transparent than it should be. Premiums appear to have gone up significantly in the last number of years and there is little understanding among consumers why this is the case. The Committee believes that there is a significant job of educating consumers to be done and would hope to see a reflection of this need in the Financial Inclusion Strategy.

192. **The Committee welcomed the engagement of the Association of British Insurers with the Inquiry and agreed to write to relevant Executive Ministers to highlight the issues they raised with regard to the higher premiums paid by consumers here, including higher compensation and replacement vehicle costs here, and to ask them to investigate these issues.**

Overarching Issues

193. The FCA and banks and financial services organisations operating in NI must be much more cognisant of the specific issues faced by businesses and

consumers here who need to access those services on a cross-border basis. As a small region and the only part of the UK with a land border with the EU, NI needs solutions that recognise this unique situation. It is likely that there are solutions already applied in other parts of the EU that border non-member states and those border states in turn. Paragraphs 79 to 111 of this report highlight the difficulties faced by consumers, business and the community and voluntary sector.

194. **The Committee agreed to write to the FCA and UK Finance to specifically highlight the issues faced by consumers and businesses here with regard to the difficulties when they engage in cross-border banking.**

195. The issue of the utilisation of dormant bank assets was raised briefly. The National Lottery Community Fund supports Dormant Assets NI which provides funding to the voluntary, community and social enterprise sectors. The Committee wonders whether there is any scope for the use of these funds as a source for small scale lending.

196. **Therefore, the Committee recommends that the Minister investigates how Dormant Assets might be utilised for small scale lending.**

197. **The Committee has concerns that deposits gathered and held locally by banks are not being used for localised benefit and our funding lending elsewhere. Most banking and financial services bodies operating in NI are not locally headquartered and have no specific remit, mandate or mission to invest deposits and funds they receive locally on any kind of localised basis. This is where local building societies such as the Progressive Building Society or other bodies such as the Credit Unions have a distinct role. The Committee recommends that the Finance Minister works with the Economy Minister through her Credit Unions consultation to consider ways in which the Executive can better this sector and local building societies.**

198. Bank closures by all-island banks have been faster in Northern Ireland than the Republic of Ireland. This is reflective of the fact that banking is not a devolved issue, blunting the Executive’s ability to intervene with regard to the commercial influences on the banks and financial services providers here. The shrinking

number of bank branches here mean that businesses and consumers have fewer options than their counterparts in neighbouring jurisdictions; and the options available do not generally apply localised criteria. In the case of local businesses, they are concerned about taking on debt without tailored advice which does not always seem to be available.

199. **The Committee recommends that the Executive looks at public funds that are available and consider whether there are alternatives ways that departments and, perhaps, councils which hold these funds can leverage them into supporting localised banking and financial services provision and, in so doing, effect community-based investment and change. Members wonder whether there is something that could operate in a similar way to FTC, but on a more localised basis.**

200. **The Committee recommends that the Finance Minister leads his Executive colleagues in looking at trends in technology around the provision of banking and financial services and consider whether there is work that can be done across departments to provide appropriate education for vulnerable groups to support their financial inclusion. This should be community-based. Options must be developed for ensuring that young people have access to information on the operation of banking and financial services through specific lessons and through practical application in the wider curriculum.**

201. **As banking and financial services are a reserved matter, the Committee recommends that the Executive uses the NSMC and British Irish Council as well as other cross-border and inter-jurisdictional bodies to address the issues raised by this inquiry regarding a better deal for businesses and consumers here.**

Links to Appendices

Appendix 1: Memoranda and Papers from the Department of Finance

View Department of Finance papers

Appendix 2: Memoranda and Papers from Others

View Memoranda and Papers supplied to the Committee by other individuals or organisations

Appendix 3: Minutes of Proceedings

View Minutes of Proceedings of Committee meetings related to the report

Appendix 4: Minutes of Evidence

View Minutes of Evidence from evidence sessions related to the report

Appendix 5: Stakeholder Evidence

View written submissions received in relation to the report

Appendix 6: Research Papers

View Research Papers produced by the Assembly's Research and Information Service (RaISe) in relation to the report

Appendix 7: Other Documents relating to the report

View other documents in relation to the report

Appendix 8: List of Witnesses that gave evidence to the Committee

- Cash Access UK
- Financial Services Union
- Federation of Small Businesses
- Consumer Council NI
- Retail NI
- NI Council for Voluntary Action
- Advice NI
- Development Trusts NI
- Irish League of Trade Unions
- Ulster Federation of Trade Unions
- NI Rural Community Network
- NI Rural Women's Network
- Millisle Community Association
- National Federation of Sub Postmasters
- Kilkeel Chamber of Commerce
- Building Society and Bank Representatives
- Association of British Insurers
- Finance Innovation Lab
- Financial Conduct Authority

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Committee for Finance
Peter Hall, Committee Clerk
Northern Ireland Assembly
Parliament Buildings
Ballymiscaw
Stormont
Belfast BT4 3XX

Telephone: 028 90 521903

Email: committee.finance@niassembly.gov.uk

X (formerly Twitter): @NIAFinance