

Response from Cambrian Credit Union.

INTRODUCTION AND BACKGROUND

1. Cambrian Credit Union is the largest Credit Union in Wales serving 12,000 members across North Wales and Powys. We have assets of £8 million and loans of £3.3 million. We exist to provide access to financial services for our community and to offer a responsible alternative to high cost credit. We do this by:
 - Offering affordable loans and a safe place for saving
 - Helping our members access their funds as cash, electronically and by payment card.
 - Being advocates and campaigners for a fairer financial system and the credit union movement
 - Being different to high cost lenders and high street banks:
 - Owned by our members
 - Operated for the benefit of our members and the wider community
2. Cambrian Credit Union (like the other Credit Unions of Wales) was created to address, (and has long experience of) tackling issues of financial exclusion in our communities. Twenty years ago these were mainly issues of low income and low credit scores. These remain important but recently we have noticed how fewer bank branches and increasing reliance on online services has increased the difficulty some people in our community face in accessing financial services. We welcome the opportunity to contribute to the committee's enquiry into these issues.
3. In addition to providing savings and loans we have a significant role in providing members on benefits with access to their cash in some of the communities that we serve. In the first quarter of 2019 about 1500 members paid in and withdrew around £1.4m of benefit payments. It is a role that we took on in response to the financial exclusion caused by the main High Street banks' historic reluctant to serve the poorest and least credit worthy in the community. More recent bank closures have left others unable to access branch based services (e.g. small businesses depositing their takings) and they have turned to us to fill the gap.
4. Providing access to cash costs more than running a straightforward savings and loans business. Our own pressing need to reduce costs (partly in response to the changes in public sector support for credit unions) means that this service is now only available in Rhyl and Llandudno Junction (where the need is greatest). To compensate we have been promoting access to a pre-paid debit card which enables members to access their cash from ATMs and through cash back in supermarkets.
5. While we appreciate the market pressure that leads to banks closing branches we feel that branch closures are increasing financial exclusion. It increases costs for the financially vulnerable as all too often free services (cash over the counter, ATMs) are replaced by fee charging services. It also has implications for the national cash handling infrastructure.

6. Our responses to the three questions raised by the committee are set out below.

The current position regarding access to banking services in Wales, to include issues relating to financial inclusion and digital inclusion.

7. We have noticed a continual reduction in the availability of banking services in the area we serve. It is most marked in rural areas such as Anglesey (the only bank branches are now in Holyhead and Llangefni), Gwynedd and Powys. Elsewhere there are fewer branches in many larger towns (Llandudno Junction has not had a branch for many years).
8. For many people loss of branch services is an inconvenience. However we feel that the most financially vulnerable get hit disproportionately hard by branch closures. Financial exclusion is being increased. Examples include:
- Those who by choice or necessity live a ‘cash life’. This is because branch closures are often accompanied by a loss of cash services (e.g. ATMs). In the UK there are an estimated 1.2 million people in the UK without a bank account. A recent report (Access to Cash Review, March 2019) estimates that 17% of the population would struggle in a cashless society.
 - Those who struggle with technology or who need a friendly face to guide them through often complex processes to access essential financial services. It is already noticeable that in the remaining branches the priority of bank staff is to help customers use the automated services on offer rather than handle cash themselves. This is clear evidence of a need to support people, a need which cannot be met in places without a branch.
 - People without bank accounts who have to rely on prepaid cards already have to pay a fee to the card issuer to use an ATM. Branch closures are frequently accompanied by the loss of a free to use ATM. This leaves these people hit twice as they may find themselves having to pay two lots of fees to obtain their cash.
9. It is often said that cash back in supermarkets and other shops can fill the gap left by branch closures or the loss of ATMs. However, without intervention this cannot be relied upon. As the Access to Cash Review points out some retailers are already removing this service and as the unit cost of cash processing increases, others may follow.

The variety of ways in which branch closures and access to free ATMs can affect local communities (for instance the impacts from a business, tourism, social, demographic and regeneration perspective).

10. The loss of a branch does have an impact on the viability of a high street or local service centres in rural areas. A trip to a bank branch is likely to be combined with other activity such as shopping on the high street. Loss of a bank branch is likely to result in reduced high street footfall.
11. Over the years we have noticed the impact of branch closures on activity in our own offices. For example it has increased the number of small businesses that want to deposit cash with us as their local branch closes. It has also increased the pressure on us to service members with cash.

The potential process, benefits and challenges involved with establishing a community bank with multiple branches in Wales.

12. Cambrian Credit Union has concerns that bank closures are increasing financial exclusion particularly in rural areas. We welcome measures by the Welsh Government to ensure that cash and financial services remain available throughout Wales. However we are not yet convinced that creating a new community bank is necessarily the best way to achieve this.
13. There is no doubt that a community bank, run as a cooperative for the benefit of its members, has the potential to act as a challenge to the entirely market based approach of the high street banks. As such it has the potential to act as a catalyst for greater fairness and less exploitation in the delivery of financial services. However, even a mutual community bank will be faced with the reality of the cost of maintaining an extensive branch network particularly in rural areas with relatively small footfall. Banks are not closing branches out of malice; they are making rational business decisions.
14. Wales has a network of credit unions serving many financially excluded people. We have some concerns about the potential impact of The Community Bank on credit unions. Our ability to serve the most financially vulnerable is underpinned by us serving a wide range of members. Handling members' benefits means that we can lend with more confidence to many who would otherwise have no sources of credit (apart from the most unscrupulous lenders). If a community bank 'creams off' some of our members it may have the unintended consequence of making it harder for credit unions to serve the needs of the most financially excluded in a responsible manner.

ADDITIONAL COMMENTS

15. In setting out to increase accessibility to banking services in Wales, Welsh Government might usefully consider the experiences of the Credit Union Expansion Project (CUEP) sponsored by the Department of Works and Pensions. There are similarities in the intended outcomes of the projects. The outcome of CUEP would have been to reach a wider range of people with a wider range of services, in CUEP's case by building capacity in credit unions.
16. It appears to us that the strategy adopted for the future of credit unions by CUEP was heavily influenced by the professional bankers advising the project. Understandably their default mindset was that to be more successful credit unions should be more like banks. The fallacy underlying this thinking is that the banks do not set out to serve anyone and everyone. They pick and choose the customers they serve and how much they charge them in order to maximise their profits. Such a selective approach is fundamentally at odds with the principles of a community credit union. A consequence of the banks' approach is that for many years current accounts were not available to the most needy in society (for example those most dependent on benefits) and banks had to be forced by the government to offer basic bank accounts to all. Even now there remain barriers in place which exclude those on the edge of society from even this basic service. These barriers include lack of a settled address, not being on the electoral role or inability to provide photo ID.

17. We feel that there is a case to be answered that people are being excluded from the banking services they need (e.g. by rural branch closures) because traditional banking is failing them and that the solution to the problem is not more of the same failed solution (no matter how ethically structured and motivated the bank might be). We feel that ensuring continued wide access to banking services (and also aiming to return banking services to places where they have been withdrawn from) requires a different mind set and approach.
18. The Access to Cash report alludes to just such an approach. It makes the case for the fundamental importance of the nation's cash infrastructure (the most basic service lost when a branch closes) and for intervention to ensure that it remains in place and adapts so that it can continue in existence.
19. One suggestion the Access to Cash report makes is that the government, through its regulators, should ensure that banks and other providers can collaborate and work together to reduce costs. One approach that the Welsh Government might consider is support for initiatives that enables a wide range of banking services to be delivered through a variety of physical channels. The Post Office already handles transactions for several banks. The possibility of other outlets (e.g. convenience stores, local authority one stop shops, community based social enterprises) being able to deliver similar services for a wider range of providers (and products) could be explored.