

# Labour will protect the high street by ending damaging bank closures

**Labour will introduce major changes to bank law to prevent banks forcing through closures of vital high-street banks**

As part of Labour's plans to rejuvenate the high street and protect local communities, the next Labour Government will make major changes to the banking law that will prevent banks closing their vital high-street branches and damaging local communities and small businesses.

Despite the introduction of an "Access to Banking Protocol" to prevent closures by this Conservative Government, the Consumers Association reports that 1,046 local bank branches closed in the UK between December 2015 and January 2017, with another 486 already scheduled for closure this year.

But the Big four banks made over £1bn profits from their high street banks in 2015, and can afford to provide this vital customer service instead of prioritising cost-saving measures that damage communities and small businesses.

Over two-thirds of small businesses claim that a local bank branch is important and lending to small businesses has been found to drop by 63 per cent in areas with a recent bank branch closure. For deprived communities and households, loss of a local bank branch significantly diminishes their abilities to access even basic financial services. Older people are significantly less likely to use internet or phone banking services.

Labour believes tougher action is needed on our major banks to prevent them putting their profits first and making short-sighted and damaging decisions. We will replace the toothless Access to Banking Protocol with the force of the law to bring banks into line.

**Shadow Chancellor John McDonnell, will say:**

"High street bank closures have become an epidemic in the last few years, blighting our town centres, hurting particularly elderly and more vulnerable customers, and local small businesses whilst making healthy profits for themselves. It's time our banks recognise instead that they are a utility providing an

essential  
public service.

“Only  
Labour will put in place the legal obligations needed to bring banks into  
line  
and stand up for our high streets, communities and small businesses.”

**Emeritus**

**Professor, Prem Sikka, University of Essex, who advised on the policy, said:**

“Banks  
receive considerable financial support from the public and in return should  
be  
required to provide financial infrastructure that meets the needs of  
individuals and businesses.”

ENDS

Notes:

1. A future Labour government will broaden the duties of the Financial Conduct Authority (FCA) and amend relevant provisions of the Financial Services and Markets Act 2000 (FSMA), particularly Part 4A of the Act, which authorises banks to carry on the regulated activity (i.e. the ‘banking licence’). These amendments would require banks to accept the conditions laid down below:

a. Prior to the closure of any branch, banks must undertake a consultation with all customers of the branch which it proposes to close. It

must also consult representatives of the relevant local council.

b. The bank must publish details of the reasons for closure, including financial calculations showing the revenues and costs of the relevant branch. The share of central costs (e.g. accounting systems, IT, cyber security, personnel function) allocated to the branch must be separately identified, especially many of these costs are relatively ‘fixed’ and are not proportionate to the number of branches.

c. The consultation process must be overseen by the FCA, and the FCA must ensure that the closure of the branch does not degrade the local financial infrastructure. The closure of the branch must not make the local community worse-off.

d. The FCA’s approval will be needed for any branch closure.

e. Upon approval by FCA, customers and local communities must be given 3 months’ notice to enable them to make appropriate arrangements.

2. Labour will amend the statutory objectives, as given at s.9B of the FSMA 2000, of the Financial Policy Committee should include a new objective, the "Consumer Protection Objective", which will oblige the FPC to oversee (i) the accessibility of financial services to geographic communities in the UK, and (ii) the availability of financial services to all sectors of the population.

3. The British Bankers Association found that 68 per cent of small businesses surveyed thought that having a bank branch on the high street was important. See Barty, J and Ricketts, T. (June 2014), *Promoting competition in the UK banking industry*

4. Move Your Money research found that "Before a branch closure, lending for SME's within a given postcode grows from one quarter to the next by 2.13 per cent on average. But after a branch closure in that postcode, average Q-2-Q growth in SME lending drops to only 0.79 per cent – a staggering 63 per cent reduction." Travers-Smith, F. (July 2016), *Abandoned Communities: the crisis of UK bank branch closures and their effects on local communities*

5. The Social Market Foundation found that 11% of the population (7m people) use no other banking service than their local high street branch, and that these are overwhelmingly older and/or poorer. See Evans, K. (January 2016), *Bricks and Clicks: Understanding How Consumers Manage Their Money*, London: Social Market Foundation

6. Bank branch closure figures from Goodman, R. (December 2016), "Revealed: 1,000 bank branches shut in two years", *Which?*

7. Banking high street profits given in Travers-Smith, F. (July 2016), *Abandoned Communities: the crisis of UK bank branch closures and their effects on local communities*, p.13