



Submission to Retail Banking Review

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Rialtas na hÉireann
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Overview

Irish Rural Link (IRL) is the national network of rural community groups, representing over 600 groups and thousands of individuals committed to socially, environmentally and economically sustainable rural communities.

We welcome the opportunity to make a submission to the consultation on the Retail Banking Review.

Since the financial crash, the number of retail banks in the Irish Market reduced from twelve to five. By the end of 2022, with Ulster Bank and KBC exiting the market, there will be just three retail banks in the country.

This is a concern for IRL and its members. There is fear that with less competition in the market, customers will face higher bank charges and interest rates on loans and mortgages and have less choice to move banks. For SME's and micro enterprises, who already pay higher interest rates on loans than the EU average and find it difficult to access credit will be concerned also about less retail banks in the market.

Reduced numbers using branches is one of the main reasons for the closure of bank branches as well as the move of banking services online. However, IRL are concerned about the wider economic and social impacts the closure of bank branches has on rural towns and villages and people having to travel out of their local town to access bank services.

This review is timely and an opportune time to further explore different banking models such as; Local Public banking which IRL have previously proposed and community banking. There is now an opportunity to reform the Irish banking system so that it better serves people and communities and SME's and microenterprises.

Meeting needs of Consumers and SME's

Irish Rural Link believe that the needs of consumers and SME's are not being currently met by the retail banking sector. Hearing from its members, many older and more vulnerable customers are concerned over recent closures to bank branches in their local town or village. With the exiting of Ulster Bank and KBC, many customers, especially older people who would have had accounts with Ulster Bank are concerned about having to open a new account with another bank and the difficulties involved in doing this.

The rate of adult population that lack basic digital skills is 52%, which is well above the EU average of 43%. Irish Rural Link have delivered the Getting Citizens Online basic computer training to adults over the age of 45 who have never used a computer before. It teaches people the very basic skills such as turning on the computer, the different parts of the computer, creating an email address, sending email, browsing the internet, online banking and using Government websites and paying bills, motor and property tax online. However, this programme is now coming to an end and IRL are concerned that many older and vulnerable people will be left behind and excluded from the digital world which includes banking. This factor must be considered prior to the closure of bank branches.

Some of IRL members run micro enterprises and SME's. While some of these members have positive experiences in accessing grants and credit to set up a business through Micro-Finance Ireland and Local Enterprise Office, when they wish to expand their business they find it difficult to access credit from their bank. SME's in Ireland also pay higher interest rates on borrowing than EU average and the smaller the business they more they pay. In 2019, on average, loans less than €0.25million interest rate was 5.7%, this is higher than the 2.5% EU average. For loans between €0.25 million to €1 million, average interest rate was 3.6% v's 1 - 1.3% in other EU countries¹. IRL would be concerned that they will continue to pay higher rates of interest on borrowings as a result of less banks in the market and recent increase in the ECB rate to address the current cost of living crisis.

Impact of Bank Closures on Rural Towns and Villages

IRL are concerned about the wider economic and social impact the closure of bank branches has on rural towns and villages. IRL believe more should be done prior to the closing of Bank branches in small rural towns and villages. Factors such as how people can access a bank if one in their nearest town closes should be taken into consideration. With the lack of regular public transport services in rural areas, people with no private transport, may only have access to a bank whenever there is a bus service going to a larger town. People will tend to take larger amounts of cash out of their account when visiting a branch to make sure they

¹ <https://centralbank.ie/docs/default-source/publications/sme-market-reports/sme-market-report-2019.pdf?sfvrsn=9>

have enough money until they get into the branch again, putting their safety and security at risk.

It is also bringing people out of the smaller towns and villages, which can further lead to the closure of shops, and other services in these areas.

We understand that younger people may not use in branch services very often, but there is still a large cohort of people, especially older people who prefer the face-to-face experience when doing their banking. As mentioned there are a large percentage of adults who do not have basic computer skills. If this factor is not considered when banks are being closed, it can put a lot of people at risk of being excluded from accessing banking services. Such people may not be confident to use banking services online or don't have the skills or equipment to do so. There is also the factor of online security to be considered and that older people are more vulnerable to fraud.

We would ask the Department of Finance to work with the Department of Communications to reinstate funding to those organisation who have worked with vulnerable groups to support them to get online and who can work through security measures and communicate the information better on staying safe while banking online.

For small businesses in a rural town or village; such as a shop, petrol station etc. that still deals in cash and coins they will need to close their shop for a period of time during the day to lodge cash or get coin in the bank branch in a larger town. Again, they will be holding cash for longer on their premises and larger amounts of cash, putting them at greater risk of burglaries.

Access to ATM's

Access to ATM's are causing a concern for customers and this is acknowledged in the consultation document stating that in 2019 "10% of EU citizens considered that access to and ATM is fairly or very difficult, which shows a doubling of the people that expressed concerns about access to ATM's. In 2016, this rate was only 5% of people in the euro area not satisfied with access to ATM's.

The ECB strategy includes five strategic objectives which includes supporting access to cash services for all euro area citizens and businesses and defining acceptance of cash as essential for the freedom of choice how to pay. Also, The Department of Finance recognise that a fully cashless society would not be an appropriate objective and IRL welcome this.

In small towns and villages where there is no longer a bank, the ATM is now in a shop which is not always accessible 24 hours. Also, the services at the ATM are limited, not being able to access bank balance or only get a receipt of how much was withdrawn. Often these machines don't have lower cash amounts in the machine, which is difficult for people on lower or fixed income to access cash.

The review of retail banking must ensure that an ATM is available in towns and villages where there is no longer a bank branch and that it is accessible to all.

Local Public Banking and Community Banking

Over the past number of years IRL worked with German Sparkassen to explore how a local public banking model could work in an Irish setting. IRL believe that such a banking model is necessary to ensure SME's and Micro Enterprises, especially in rural areas, are protected and sustain any future financial crises, but also to access credit to allow them grow and expand. The model proposed made provision for inclusion of post offices and credit unions as part of invigorating local communities particularly in the area of SME's and the Agriculture sectors that allow commerce to thrive.

The *Programme for Government 2020 - Our Shared Future* committed to

“Enable the Credit Union movement to grow as a key provider of community banking in the country”. (Pg.22)

This Retail Banking Review is an opportune time to re-examine how a local public banking or community banking system can work as an alternative banking model in Ireland. This can ensure that communities, SME's and microenterprises can continue to grow and expand.

Irish Rural Link the Organisation

Irish Rural Link (IRL), formed in 1991, is a national network of organisations and individuals campaigning for sustainable rural development in Ireland and Europe. IRL, a non-profit organisation, has grown significantly since its inception and now directly represents over 600 community groups with a combined membership of 25,000.

The network provides a structure through which rural groups and individuals, representing disadvantaged rural communities, can articulate their common needs and priorities, share their experiences and present their case to policy-makers at local, national and European Level.

Irish Rural Link is the only group represented at the national social partnership talks solely representing rural communities' interests.

'Our vision is of vibrant, inclusive and sustainable rural communities that contribute to an equitable and just society'

Irish Rural Link's aims are:

- To articulate and facilitate the voices of rural communities in local, regional, national and European policy arenas, especially those experiencing poverty, social exclusion and the challenge of change in the 21st century.
- To promote local and community development in rural communities in order to strengthen and build the capacity of rural community groups to act as primary movers through practical assistance and advice.
- To research, critique and disseminate policies relating to rural communities including issues such as sustainability, social exclusion, equality and poverty
- To facilitate cross-border networking between rural communities

'Our mission is to influence and inform local, regional, national and European development policies and programmes in favour of rural communities especially those who are marginalised as a result of poverty and social exclusion in rural areas.'