WHAT THE FCA SHOULD DO NEXT ON BANK BRANCH CLOSURE GUIDANCE

Expert commentary from Mark Aldred, Auriga

London, 22nd July - On 26th July, the **FCA** is concluding **its consultation** on how banks manage **branch** and **ATM closures** and conversion and whether its guidance on these matters should be changed. Commenting on this Mark Aldred, bank industry expert, Auriga said:

"It is significant that the FCA is looking again at its guidance on what is sensitive issue because previously agreed best practices on how banks plan and communicate the change of in-person banking services have fallen short.
I have remarked before that customers are not contacted to be asked to go branch-less but have this loss of channel choice made for them. While banks preach a lot about the importance of omnichannel banking, they forget that in-person banking services is also a channel. Banks either simply cut it or underinvest in how **in-person** and **in-branch self-service banking** are **integrated** with other **digital channels**.

From the FCA and the banks, we do need to see clearer formulae for why a specific branch should be shuttered. Banks tend to roll out general numbers of customers who regularly use digital services, but these do not mean the same customers never visit a branch at risk of closure. There is little evidence that banks do an in-depth analysis let alone consultation of a branch's customer base to understand the real proportion of customers who would be affected. Even when that percentage may seem small, it may account for a substantial number of people and those customers are likely to over-represent groups who are most vulnerable to the loss of access to cash and financial services locally. Indeed the definition of "vulnerable" customers is far too narrow and ignores groups who are massively inconvenienced by closures.

Quite simply branch and ATM service reviews need to be done in a much more considered fashion than currently. Banks take a sausage machine approach, pumping out a one size fits all justification and solution. This typically runs as too few people use bank branches and those that need in person banking services can go to their local post office. However, despite the best efforts of the post office, this is a degraded service to the one that is being closed. Few post offices have the facilities to match a closed branch and access to bank services must compete for attention with everything else a post office must offer from stamps to posting parcels to ordering a passport.

One of the other issues that needs to be addressed is how some banks are promoting new micro branches as a remedy. While these are typically branded branches, the reality is they are simply information shops without the staff or systems to help a customer with a range of specific everyday issues.

Banks should be encouraged to roll out **pop up branches** that can be introduced to provide banking services in new locations quickly and easily. However, it is critical that these have banking facilities, and these can be cost effectively provided by next generation self-service digital banking systems.
Phony branches that lack in-person banking services are counterproductive and again illustrate how some bank's omnichannel strategies are a broken mess.

Banks will continue to make the case for closures because of changing customer demographics. The FCA does need to ask has a branch accurately assessed how automation and digital self-service could bring down operating costs while keep services available. There are proven cases of this new branch model delivering impressive results like how Italy's **Banca Carige** is rolling out new digital and smart bank branches that cut operating costs by more than a third. Branches like these can be wholly automated, staff-less 24hour, and even shared.

Customers can access all the branch services in assisted self-service mode around the clock and interact with the bank's consultants via video banking for both easy and complex transactions in a safe and personalized way.
This technology allows customer-facing employees to be able to spend more time focusing on more complex activities that require the added value of human interaction, as well as more time to train themselves in new skills, with positive effects on customer experience. It reduces branch management costs, while maintaining access to financial services, and generating new revenue streams through add-on services.

Sharing infrastructure among different banks could also play a role in minimising the impact of branch and ATM closures. Banks could adopt a **"white label branch"** model, where a single location acts as a shared service centre for all banking-related activity, regardless of which bank the customer holds an account with. Similarly, multiple banks could pool their investment in new ATMs to assure widest local coverage free ATM services. **ATM pooling** is already a feature of banking in Belgium where there is a top-down commitment to providing access to cash at ATM's within 5k of their citizens' doorsteps. Other countries are taking a similar approach and the UK could learn from them.

Overall banks are too keen to rush at branch closures regardless of how they create access to cash and financial service deserts. There are alternatives that should be explored before closures are considered. Let’s hope that the new guidance helps banks be more ambitious and committed to preserving and improving in-person banking services and ATM provision.”

About Auriga

Auriga is a leading supplier of software and technological solutions for the banking and payments industries, and a specialist provider of innovative omnichannel solutions to banks and other financial institutions. Its solutions, deployed on over 74% of Italian ATMs, are founded on a modern technology architecture and improve time to market for new services while lowering costs, protecting critical devices from cyber-attacks, and building long-term competitive advantage. Auriga is a global company with a direct presence in Italy, UK, France, Spain, Germany, Belgium, and Mexico, and expanding operations in Western and Eastern Europe, Latin American (LATAM) and Asia-Pacific (APAC).

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