

## Money and Mental Health submission to the Lending Standards Board's Access to Banking Standard Review Consultation

### Introduction

The Money and Mental Health Policy Institute is a research charity, established in 2016 by Martin Lewis to break the link between financial difficulty and mental health problems. The Institute's research and policy work is informed by our Research Community, a group of 5,000 people with lived experience of mental health problems or of caring for someone who does. This written submission has been informed by this powerful, lived experience testimony, as well as our wider body of research.

In this document, we respond to questions 1, 2, 3, 4, 5, 8, 9, 10, and 11. In some cases we have not addressed elements of the questions directly related to the impact of the Standard or its effectiveness, as this is not an issue we have explored in enough detail to be able to provide a view.

The Access to Banking Standard is an important industry agreement that helps improve outcomes for customers once the decision to close a branch has been made. However, the Standard is limited as it does not deal with the decision making process and bank branches continue to be closed at a considerable rate in the UK. It is also not clear to what extent the Lending Standards Board is able to ensure that banks adhere to the Standard. The introduction of guidance by the FCA provides an opportunity for the LSB to strengthen the Standard. It can achieve this by widening the scope of the Standard to include the decision to close a branch and the support banks should provide to customers to use banking alternatives.

### Background

- In any given year, one in four people will experience a mental health problem,<sup>1</sup> and over a lifetime this rises to nearly half the population<sup>2</sup>. However, we do not always know when we are unwell, or receive treatment. Over a third (36%) of people with a common mental disorder have never received a diagnosis, and 62% are not currently receiving treatment.<sup>3</sup>
- Common symptoms of mental health problems, like low motivation, unreliable memory, limited concentration and reduced planning and problem-solving abilities, can make

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<sup>1</sup> McManus S et al. Adult psychiatric morbidity in England, 2007. Results of a household survey. NHS Information Centre for Health and Social Care. 2009.

<sup>2</sup> Mental Health Foundation. Fundamental facts about mental health. 2016.

<sup>3</sup> McManus S et al. Mental health and wellbeing in England: Adult Psychiatric Morbidity Survey 2014. NHS Digital. 2016.

managing money significantly harder.<sup>4</sup> These common symptoms can also make it more difficult to interact with essential service providers, like banks.<sup>5</sup>

- The incomes of people with mental health problems are significantly lower than average, for people with common mental disorders like anxiety or depression this equates to an income gap of £8,400.<sup>6</sup> This can mean some people with mental health problems prefer to use cash in order to budget<sup>7</sup> and can have less savings to fall back on when their income drops.
- People with mental health problems are three and a half times more likely to be in problem debt as those without, and half (46%) of adults in problem debt also have a mental health problem.<sup>8</sup>

### **Question 1: Is the overarching principle of the Access to Banking Standard clear and do the commitments in the Standard continue to represent the most effective way of ensuring customers are treated fairly once a decision to close a branch or significantly reduce hours has been made?**

The overarching principle of the Access to Banking Standard is clear and the ambition of agreeing to standards above what is expected by the regulator is important. It remains essential that banks commit to supporting their customers once a decision to close a branch has been made. However, it is unclear whether the Lending Standards Board has adequate powers to hold banks that fail to adhere to the Standard to account. The main vehicle for ensuring firms are following the Standard is through individual review reports which include recommendations specific to the bank. While the LSB has said that it does have other actions it can take, such as issuing a reprimand or cancelling a firm's registration,<sup>9</sup> it is not apparent how often these actions have been taken and therefore to what extent the current approach to upholding the Standard is effective at ensuring that banks treat their customers fairly. The LSB could share publicly what actions have been taken and against which firms. This could act as a further deterrent to firms acting against the Standard and would increase confidence in the Standard.

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<sup>4</sup> Holkar M. Seeing through the fog. Money and Mental Health Policy Institute. 2017.

<sup>5</sup> Holkar M, Evans K and Langston K. Access Essentials. Money and Mental Health Policy Institute. 2018.

<sup>6</sup> Bond N and D'Arcy C. Mind the income gap. Money and Mental Health Policy Institute. 2020.

<sup>7</sup> Lees C. Money and Mental Health submission to HM Treasury's call for evidence: Access to Cash. Money and Mental Health Policy Institute. 2020.

<sup>8</sup> Holkar M. Debt and mental health: a statistical update. Money and Mental Health Policy Institute. 2019.

<sup>9</sup> House of Commons Scottish Affairs Committee. Royal Bank of Scotland branch closures. 2018.

**Question 2: Are consumers impacted by branch closures or a reduction in services aware of the commitments from banks, as set out in the consumer overview documents? If not, how could they be made aware?**

Recent research from Which? found that just over half (53%) of members they surveyed had been proactively informed about their local branch closing, and half (48%) of those who had not been informed only found out after the branch had closed. The research also discovered that 55% had never heard of the impact assessment that banks have to provide.<sup>10</sup> This suggests that many customers are unaware of what banks are required to do as part of the Standard.

**Question 3: Has the Access to Banking Standard, as implemented, been effective in helping to minimise the impact of reduced access to branch services on consumers, businesses and local communities?**

The Standard focuses on the action banks should take after the decision has been made to close a branch, including informing customers of alternative ways of banking. But this limits the effectiveness of the Standard in minimising the impact of the closure as branches remain essential for many people who might struggle with alternatives and a bank's branch does not close in isolation.

Bank branches have been closing at a considerable rate across the country to the extent that, as the consultation document highlights, the UK has lost around one in five branches since the Standard was introduced. A House of Commons Library briefing paper found that there are only 1.4 branches per 10,000 residents in the UK,<sup>11</sup> and research by Which? highlighted that five UK parliamentary constituencies won't have a single branch by the end of 2021 with another 20 having just one branch.<sup>12</sup> As branches close, people have to travel further and further distances to access one, and the impact can be particularly significant when the branch that closes is the last in a community.<sup>13</sup> As the Standard does not currently look at the decision to close a branch, there is no guarantee that even if a bank closes a branch and informs customers of alternative branches they can visit, as per the Standard, the alternative branches will remain open for a significant period of time.

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<sup>10</sup> C Cavaglieri. Are banks playing fair when closing the last branch in town? Which? 2020. Accessed 19/07/21 -

<https://www.which.co.uk/news/2020/07/are-banks-playing-fair-when-closing-the-last-branch-in-town/>.

<sup>11</sup> O Bennett. Bank branches: why are they closing and what is the impact? House of Commons Library. 2020.

<sup>12</sup> Bank branch closures: is your local bank closing? Which? 2021. Accessed 20/07/21 -

<https://www.which.co.uk/money/banking/switching-your-bank/bank-branch-closures-is-your-local-bank-closing-a28n44c8z0h5>.

<sup>13</sup> Scottish Affairs Committee. Access to Cash in Scotland. 2019.

Branches remain an important place for many people and the closures of one can have a significant impact. While for some people talking to a staff member in a branch can cause significant anxiety, for others it can provide reassurance to speak to someone in person rather than over the phone or on webchat.

*"Being able to deal with staff face to face about money helps me deal with my mental health issues a whole lot better! I actively avoid financial dealings with banks & building societies that don't provide this service"*

Expert by experience

Branches also provide opportunities for staff to be able to spot that a customer could be vulnerable based on visible signs. Staff are able to pick up on audible cues over the phone and within text answers on web chat that someone might require extra assistance but this is something that can be more difficult compared to seeing someone face to face.

Members of our Research Community have previously told us about the impact a branch closure can have on them. For example, in a survey several respondents highlighted the difficulty they had in trying to get the cash they needed when their local branches had closed down, including having to travel significant distances. Another respondent highlighted that they felt limited in their choice of bank given the lack of nearby branches.

*"I've recently being trying to switch bank account and my choice is hampered by how few branches there are"*

Expert by experience

While the Standard does make reference to banking alternatives, these can often lack the 'human touch' highlighted above that many customers want. Furthermore, not everyone will be confident when using the alternatives which can limit the effectiveness of the Standard. In previous research with our Research Community, we found that for some people with mental health problems, it can be difficult to use digital banking due to practice issues. For example, nearly half (46%) of Research Community members find it difficult or very difficult to log into essential service accounts.<sup>14</sup> Experiencing memory problems is a common symptom of several mental health conditions and Research Community have told us about how this has led to them forgetting log-in details.<sup>15</sup> Struggling to log in can make it harder for people to access their accounts and use them effectively.

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<sup>14</sup> Holkar M, Evans K and Langston K. Access Essentials. Money and Mental Health Policy Institute. 2018.

<sup>15</sup> Holkar M. Cashed out: attitudes among people with mental health problems to cash and digital payments. Money and Mental Health Policy Institute. 2018.

*“Complicated login processes, particularly for online banking. I’ve lost access to my accounts on more than one occasion because of these and it can take several days or more to reset if a letter has to be sent out.”*

Expert by experience

*“Sometimes when I’ve been unwell or in hospital I forget all my log in details and I’ve found it really difficult to reset them which has caused stress and anxiety”*

Expert by experience

Another issue raised by Research Community members are transaction processing delays. Some common symptoms of mental health problems, such as increased impulsivity, can lead to people struggling to control their spending when unwell. Transaction delays can therefore cause confusion and make it harder for people to budget, especially given mental health problems can make it difficult to process information.<sup>16</sup>

*“When you pay by card there is a delay before that shows on your account balance, which can lead to getting in an awful mess.”*

Expert by experience

Some Research Community members have also told us that they don’t want to use online banking because of security concerns, such as worrying about the risk of fraud or fearing that there will be a system failure and they will lose access to their account.

*“I would definitely struggle with a cashless society. I am paranoid about fraud so would struggle. I like cash I know where I am with it. I trust it.”*

Expert by experience

Another banking alternative is the Post Office. While the Post Office does allow customers to conduct some banking transactions, it is limited when compared to a branch. Staff at Post Offices do not have training to deal with financial matters or supporting vulnerable customers, which they will likely have to deal with more as branches continue to close. This limits the effectiveness of the Standard to minimise the impact of reduced access to branches.

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<sup>16</sup> Holkar M. Cashed out: attitudes among people with mental health problems to cash and digital payments. Money and Mental Health Policy Institute. 2018; Lees C. Money and Mental Health submission to HM Treasury’s call for evidence: Access to Cash. Money and Mental Health Policy Institute. 2020.

**Question 4: Is the industry agreed definition of an ‘impacted customer’ appropriate and does it capture the customers most likely to benefit from the commitments in the Standard? Should a definition of impacted customers be included within the Standard?**

We believe that the industry-agreed definition is too narrow as it only includes someone who has undertaken three monetary transactions on three separate occasions in the preceding six months. Customers who do not visit a branch for long spells may go through periods when access to a bank branch is vital. This is particularly true for people with mental health problems. For many people who experience mental health problems, their symptoms fluctuate in both intensity and duration. Someone with a mental health problem may need to go into a branch more during periods of poor mental health if they are concerned about the impact of their condition on their finances and therefore require some assistance from the bank.

Equally, someone who regularly visits a branch can be prevented from doing so for extended periods by ill health. This includes people experiencing a particularly acute period of illness which means they cannot leave the home to visit the branch. In the guidance for the Standard under the requirements around vulnerable customers, it says the engagement strategy should encompass all identified vulnerable customers, not just those that visit the branch. While this importantly stretches what is required beyond the current definition of an impacted customer, not all vulnerable customers will have been identified, some may have only recently become vulnerable and this might have contributed to them not visiting the branch in the last six months.

Additionally, the pandemic led to many branches reducing their opening hours, making it harder for some customers to visit. Others may have become concerned about visiting the branch due to health fears. The current definition of six months does not reflect these changes and any banks that use this definition when closing a branch over the next few months will likely come to a significantly lower number of customers than they would have a year and a half ago. The Standard should be adapted to consider anyone who has done a transaction at the branch within the last eighteen months as an impacted customer on top of anyone meeting the current definition in the six months preceding the pandemic.

While we believe that the current definition is too narrow, we think it would be beneficial to add a definition to the Standard itself. This should lead to greater consistency across the sector in terms of who is being contacted. There should also be a reference in the Standard that banks should be encouraged to take an even broader approach with the definition being the minimum.

**Question 5: Does the LSB industry guidance help to provide further clarity regarding the application of the Standard? Should any elements of the guidance be incorporated into the Standard?**

We believe that the guidance does provide further clarity. There are additional elements we think should be incorporated into the Standard to ensure that firms are better able to implement the steps within the Standard and create more consistency across the sector.

In particular, the guidance around vulnerable customers is very welcome. It would be useful to include more of this within the Standard, as currently this issue is only included as a sentence in the Standard. Treating vulnerable customers fairly is a particularly pertinent issue which many banks will be focusing on given the recent publication of the Financial Conduct Authority's (FCA) guidance for firms on the fair treatment of vulnerable customers. Banks need to be able to understand how treating vulnerable customers fairly relates to branch closures. Many vulnerable customers will rely on visiting their branch and will have diverse communication needs and preferences, so it is therefore essential that banks get this right. It is important that staff are skilled and knowledgeable about dealing with vulnerable customers and, while the wider Standard mentions this in general terms, it should also be added to the Standard.

The Standard does make it clear that banks should be communicating in a way that works for their customers; however, there is significantly more detail within the guidance about what this means in practice that could be added to the Standard. For example, there is a sentence within the guidance on good practice regarding customers' communication preferences. In previous research we have conducted, we found that six in ten (59%) of people have serious difficulties with at least one communication channel which rises to 75% of those who have experienced a mental health problem.<sup>17</sup> In particular, we know that many people with mental health problems struggle with letters they have received from their bank, especially during periods of poor mental health. The Standard could therefore include references to ensuring that customers, including vulnerable customers, receive communications that are in line with their preferences.

While the Standard talks about communicating clearly and simply, there is more explicit reference within the guidance to adopting a customer focused approach to presenting information, such as within the Impact Assessment. We know from our research that mental health problems can make it harder to process complicated information when someone is unwell, particularly if the information contains jargon. The customer-focused approach could be more explicitly called out within the Standard to ensure that banks have considered what clear and simple communications means from the perspective of their different customers, who will have varying communication needs.

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<sup>17</sup> Holkar M, Evans K and Langston K. Access Essentials. Money and Mental Health Policy Institute. 2018.

There is also a reference in the guidance on making online information easy to find. Navigating websites to find specific pieces of information can be difficult, especially when someone is experiencing a period of poor mental health. Given the importance of the information banks need to make available to customers, adding an explicit statement that banks should make information easy to find to the Standard could help lead to better outcomes.

Finally, the guidance includes a requirement to support customers wishing to access alternative banking options to help them build their knowledge and confidence in the alternatives. The Standard does not explicitly say that banks should be doing this but rather that banks should include information that will help customers know what the alternatives are and how the bank can assist with them. It is possible that people who rely on their local branch will struggle to use alternative options, such as online banking, and as we set out in our answer to Question 3 this can include some people with mental health problems. A reference to banks supporting customers rather than just providing the information would therefore be a welcome addition to the Standard.

**Question 8: Given the changing way in which retail banking services are provided and accessed by customers, both consumers and SMEs, should there be changes to the scope of the Access to Banking Standard to take account of this? For instance, should the Standard more explicitly include considerations on banking alternatives, such as joint banking hubs and ATMs?**

There have been significant changes in the way banking services are offered and used by customers, and for many people, including those of us with mental health problems, these have been very beneficial. However, as our answer to Question 3 highlighted, it is important to remember that not everyone will be confident when using these alternatives. Therefore, different banking alternatives will work best for different people depending on their needs and preferences. It is also essential when discussing the new developments in banking services to restate the importance of branches for many people, including those with mental health problems. Some alternatives will be limited in what they can provide customers when compared to a branch.

This means that banks cannot expect customers to be able to easily adapt to these changes. It is important that customers are made aware of different banking alternatives and feel able to use them. The LSB could therefore consider expanding the scope of the standards so banks have a more explicit requirement to provide customers with extra support in order for them to confidently use banking alternatives.



**Question 9: Could changes to the commitments in the Access to Banking Standard, or any supporting guidance, further help improve outcomes for customers in relation to access to banking? If yes, what might these entail?**

At the moment, the Standard only considers what a bank should do once the decision has been made to close a branch. While the steps included within the Standard are essential for ensuring customers are aware of the closure, they do not improve outcomes more widely for customers in relation to access to banking as they do not deal with the decision to close a branch. The LSB could consider changing the commitments in the Standard to place a responsibility on banks to consider the impact of closing a branch on their customers and to consult with their customers before any decision is made. As part of these considerations, banks could be required to examine the availability and usability of banking alternatives, as well as the level of support their customers might need to confidently use these alternatives.

**Question 10: The publication of guidance by the FCA has meant that firms that are signatories to the Standard have been subject to both LSB oversight and FCA supervision when making decisions to close branches.**

- a. What is, or might be, the impact of this on customer outcomes?
- b. Are there benefits or challenges for firms in having both the LSB oversight and FCA supervisory activity?

The publication of guidance by the FCA does now mean that there are overlapping obligations on banks when closing a branch. This is not something that firms will be unfamiliar with as they will likely have signed up to other standards and principles that go beyond what is required by FCA regulations. One of the benefits of this is that the FCA guidance on closing branches puts a specific responsibility on banks to analyse the impact of the closure on their customers, which the Standard does not. Industry codes can be a good way to raise standards beyond regulatory expectations and the introduction of the FCA guidance provides an opportunity to ensure that the Standard does this, for example by including a requirement for banks to provide support where it is needed for customers to be able to access and be confident when using banking alternatives.

To an extent, the Standard does go beyond the FCA guidance as it also applies to banks that are reducing the opening hours of a branch. Given that branches have continued to close at a significant rate in the UK, banks need to demonstrate a more serious commitment to this issue and its impact on customers, including those who may be more vulnerable. If the Standard is to set a higher expectation from firms then the LSB needs to be clear that this is the ambition and it must explain how the Standard is different from regulation.

There is also some overlap between the Standard and the FCA's guidance on the fair treatment of vulnerable customers. The introduction of this guidance will help ensure that there are better and more consistent outcomes from the Standard's requirement for banks to contact vulnerable customers.

**Question 11: Given the potential for ongoing legislative and regulatory changes, when it comes to access to cash and banking services:**

- a. Could the Standard, or the governance and oversight of it, be changed or adapted to better support the commitments made by firms on access to banking?
- b. Is there still a benefit to consumers and SMEs to having in place an industry agreement on access to banking? If no, how should the protections for customers currently provided by the Standard be maintained or improved? If yes, please explain further.

The Lending Standards Board has a real opportunity to deliver better outcomes for customers through this Standard. It is important that it explores how the Standard can be further developed, including some of the recommendations within this response. A strengthened Standard will complement the LSB's ongoing work on customer vulnerability within the Standards of Lending Practice.

The Standard can be strengthened by tackling some issues currently related to access to banking. Firstly, the continued closing of branches across the country. Although banks have to follow the Standard and the FCA's guidance, the decision to close a branch is considered to be ultimately down to the bank. Given the impact that closures can have, the Standard could put an obligation on banks to keep branches open when the branch is the last one in a community,<sup>18</sup> or when the alternatives are not available or inadequate for the needs of their customers. The Standard could also require banks to provide practical support to customers who need it to confidently access banking alternatives prior to a branch closure.

Another issue is how to guarantee that banks follow the Standard. To ensure this, there could be more widespread use of existing tools, including the canceling of a bank's LSB registration, or new tools could be introduced such as the use of fines. The LSB could also share publicly what actions have been taken and against which firms.

Once the legislative and regulatory changes have been made, the LSB should use the new settlement as a chance to refresh the Standard again and understand where it can be strengthened further.

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<sup>18</sup> A number of definitions of 'community' may exist but key considerations should be the distance from other towns or centres, and factors such as public transport.