

Evaluation of a pilot service

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April 2003

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1. Introduction

In January 2002, four of the largest high street banks (Barclays, HSBC, Lloyds TSB and NatWest) launched a shared banking service at ten pilot sites. At each of the selected branches personal and small business customers of the three non-host banks could undertake a range of banking transactions without incurring an additional cost. The services offered included cash and cheque deposits, cash withdrawals, bill-payment and note and coin exchange. Small business customers needed to register to use the pilot service; personal customers were able to use the service without any formalities.

The ten sites chosen were all in rural areas and were distributed across the regions of England and Wales. They included:

- three villages in deep rural areas (in Devon, Cumbria and North Wales)
- four fairly small market towns (in Lincolnshire, South Yorkshire, Suffolk; and Cleveland)
- three dormitory or commuter villages (in Kent, Wiltshire and East Wales).

At each site all customers of the three non-host banks who lived within a five mile radius of the branch were mailed twice to tell them about the pilot service. A total of 4,377 small business and 66,567 personal customers were mailed each time.

These sites were drawn from a longer list of communities that were five miles or more from the next nearest branch and selected to give both a geographical spread and a fairly even distribution across the four banks participating in the pilot. The five mile criterion has been criticised by members of the Campaign for Community Banking Services (CCBS), who felt that this gave the pilot too much of a rural bias. Instead they thought that it should have also included sites in inner city and suburban areas and been based, instead on journey times. They also felt that the emphasis should have been on branches in larger communities where the remaining bank had a smaller overall market share, but that the pilot should also have included some larger communities where the last branch had fairly recently closed.

This evaluation can only assess the service that was established – not what might have been if the choice of sites had been different. The banks would argue that take-up of the shared banking service is likely to be higher the further people live from the branch they already use. Indeed, the results of this evaluation lend some support to that assertion. On the other hand, there is merit in the CCBS argument that it is hard to extrapolate from these rural sites to suburban and inner city ones, where natural catchment areas tend to be smaller. This report must, therefore be read with these points in mind.

Background to the study

Earlier research, which the Personal Finance Research Centre undertook for the British Bankers' Association, sought to identify how many individuals and small businesses faced difficulties with regard to banking as a result of living some distance from a bank branch and how best to meet their needs. In doing so, it assessed a range of options including cash machines, agency banking arrangements through post offices and shared banking services through a single branch (Kempson and Jones, 2000).

This research showed that a shared banking services were of considerable interest to the types of customer who face greatest difficulty with day-to-day banking if they are some distance from the nearest branch. These included very elderly and disabled people and mothers with young children, especially if they lived on a low income. Among small businesses it was those that handled large amounts of cash – retailers and those in the catering trade for example - who were especially attracted to the idea of a shared branch. Overall, the level of interest was rather greater among small businesses than it was among personal bank customers. Indeed, personal customers tended to be just as attracted to agency agreements with the Post Office if they were either elderly or lived on a low income or to a cash machine if they did not (Kempson and Jones, 2000).

Against this apparently high level of customer interest we must set two other important factors. First branches have been closing because they have become uneconomic to keep open. Increasingly, many personal customers have been changing their patterns of banking so that they seldom, if ever, visit a branch. So although the previous research identified a high level of support, generally, for a shared banking service, in reality only a minority of people would actually use one if it were provided. Moreover, the personal customers who would be likely to use a shared banking service have fairly simple banking needs and so would not be frequent users. Small business customers are another matter, here there would be fairly intensive use but only by a relatively small number of customers (Kempson and Jones, 2000).

Aim and objectives of the study

The overall aim of the study was to evaluate the pilot shared banking service offered through the ten branches. Within this, the study had the following more specific aims:

- To analyse statistical data on levels of use that were collected over the course of the pilot
- To compare the characteristics of users and eligible non-users of the new service and identify how far the new service is being used by groups that were identified in the earlier study as facing the greatest difficulties if they were remote from the nearest bank branch.
- To identify why non-users did not use the pilot service and how they met their banking needs.

In doing so, the study has considered use by personal customers and small businesses separately.

Research methods

Throughout the pilot branch staff kept records of the shared banking service that were used to produce statistics on the level and nature of the use of the pilot scheme. The views of staff working in the pilot branches were captured through depth interviews conducted by telephone. These focussed on their experiences of implementing the shared branch concept.

The monitoring statistics were supplemented by two linked postal surveys of all 'eligible new personal and business customers' of the service – that is customers living within a five mile radius of the branch who held an account with one of the three non-host banks in each pilot area. Each survey therefore included both users and non-users.

A four-page questionnaire was sent to a random sample of 1,999 personal customers drawn in roughly equal numbers from each of the 10 pilot areas. With two reminder letters a total of 836 personal customers responded - a response rate of 43 per cent when we allow for untraceable addresses. This questionnaire collected the following information:

- age
- family circumstances
- economic activity status
- whether disabled
- housing tenure
- whether they have access to a car
- how far from the pilot branch they live/work
- whether or not they have used the pilot branch
- *(for users only)* how often they have used the branch and for what types of service
- *(for non-users)* how often they use other branches/facilities and the types of service used
- *(non-users only)* reasons for non-use
- which bank they have their account(s) with and how long they have been customers
- whether they are prepared to be re-contacted for interview

The original sample size for the small business survey was smaller - 1,006, which gave an achieved sample of 390 and a 40 per cent response rate. In some of the smaller pilot areas this meant surveying all the eligible local small businesses. Again the questionnaire was four pages in length and it covered:

- type of business
- number of employees
- how far from the pilot branch the business is located
- whether or not they have used the pilot branch
- *(for users only)* how often they have used the branch and for what types of service
- *(for non-users)* how often they use other branches/facilities and the types of service used
- *(non-users only)* reasons for non-use
- which bank they have their account(s) with and how long they have been customers
- whether they are prepared to be re-contacted for interview

The replies from the questionnaires were analysed using the SPSS statistical package, with the data was weighted to allow analysis of all ten pilot areas combined.

Using the postal survey returns, 20 personal and 20 small business customers who had not used the shared banking service were selected for follow-up depth interviews. The samples were selected to give a broad range of different types of customer and of reasons for not using the pilot service.

The interviews covered:

- How they meet their banking needs and how satisfactory these arrangements are
- Why they do not use the new service
- What changes would be needed to encourage them to use it

Each interview took around 30 minutes, was based on a broad topic guide, tape-recorded with the participant's consent, transcribed in full and then analysed using thematic grids.

Finally, we interviewed representatives of the Campaign for Community Banking Services and the Post Office to ascertain their view of the planning and operation of the pilot shared banking service.

About this report

This report begins with a chapter assessing the overall level of use of the shared banking service, variations between sites and its impact on existing customers and staff.

Chapter 3 described who actually used the service and their reasons for doing so; while Chapter 4 focuses on their patterns of use.

Chapter 5 considers in detail the reasons people gave for not using the service and looks at how they actually met their banking needs.

The final chapter summarises the key findings of the research and draws some broad conclusions about the pilot as a whole.

2. Overall levels of use of the shared banking service

Overall, the shared banking service was used by one in nine (11 per cent) of eligible small business customers and around one in six (17 per cent) of personal ones.¹ In total, then around 5,500 personal customers and 325 businesses used one of the ten pilot services. Each business user made around 12 visits to the branch in total; use by personal customers was lower – an average of four visits per user. Across all ten sites, an average of over 450 visits a week were made by customers using the shared banking service facility – 396 by personal customers and 58 by business ones. In other words, at each branch there were an additional nine visits a day – eight by personal customers and one by a small business. This represents about a 5 per cent increase in footfall.

The monitoring showed that it took time for use to build up. It was, however, a good deal quicker for personal customers, who were able to use the service straight away, than it was among business customers, who needed to register first.

Use by personal customers was quick to take off with 331 visits in the second week of the pilot. The number of visits peaked during week 16 – three weeks after the second mailing to publicise the service – when 534 personal customers made use of the shared banking service (Chart 2.1). Aggregating the figures quarter by quarter (Table 2.1) we can see that use in the first quarter was already running at three quarters of the maximum use in quarter two. The number of visits fell slightly in the third and fourth quarters.

Table 2.1 Total number of visits to all shared banking service sites per quarter

	Q1	Q2	Q3	Q4
Personal customers	4,212	5,459	5,211	5,393
Business customers	409	877	857	850

Source: Monitoring statistics

In contrast, use by business customers was established much more slowly over a 26 week period (Chart 2.2). In fact, it took almost twice as long to reach its peak of 85 visits during week 26. The aggregated quarterly figures show the number of visits in the first quarter running at less than half the level of the rest of the year (Table 2.1). At the end of June, a total of 222 business customers were using the shared banking service, by the end of December it had risen to 258. So the build-up in use was due both to an increase in the

¹ Small business take-up is based on the monitoring statistics, but was in fact identical in the postal survey. Take-up by personal customers is based on the postal survey alone. In both cases, adjustments were made to allow for the fact many of the customers mailed in three localities were very close to other branches

number of *users* and to an increase in the average number of *visits* made by those users each week.

Although levels of use by both personal and business customers had reached a plateau by the end of the pilot, the depth interviews with non-users uncovered further latent demand. Combining this with the information collected in the postal survey, we estimate that up to a further 4 per cent of personal customers and 8 per cent of business customers could start using the service if it continues. As we discuss in more detail below, lack of knowledge was the main reason why many had not already done so. And a number of business customers said either that they had not thought it worth registering for a service that might only last a year or that they had encountered problems with registering.

Variations in use across the pilot sites

The level of use at a shared banking service branch will clearly depend on the size and density of the population living within its natural catchment area. But other factors, also play an important part. The market share already with the host bank will clearly have an impact as will the distance to the next nearest branch. The natural catchment population will depend whether a large proportion of the resident population regularly needs to travel out of the community for work or shopping or, conversely, whether people regularly travel into the community for these reasons. The hours of opening of the branch and the publicity for shared banking service will also be important. Finally, use will depend on the proportion of the population that is 'local branch dependent'. This would include elderly or disabled people who rely on over-the-counter transactions for most of their banking, and small businesses with a frequent need to deposit cash or cheques and or to withdraw cash for wages.

There were large variations in the levels of use across the ten pilot sites. At its simplest, the monitoring showed that the footfall varied considerably. However, as the eligible populations of the ten sites varied greatly, we have also calculated a range of measures of take-up. These included the proportion of eligible businesses that registered to use the shared banking service; the proportion of eligible business and personal customers that actually used it and the number of branch visits made, on average by those users². These figures show a rather different picture, with some of the highest levels of take-up being at sites with only a small footfall.

² For the most part these statistics were provided by the monitoring. The number of personal users was, however, based on the proportion of respondents to the postal survey who said that they had used the service, with an adjustment made for the higher response rate among users.

Footfall

In terms of footfall, levels of use were highest at the branch in Dormitory Village 1, where business and personal shared banking service users made a total of 5,491 branch visits (Table 2.2). The second-highest footfall was at the other two dormitory villages, although in both cases take-up by business customers was not especially high.

Dormitory Village 1 was not, however, the site with the largest number of eligible users. In the other two dormitory villages, for example, far larger numbers of both business and personal customers were eligible to use the shared banking service. But while Dormitory Village 1 has a range of shops and other services that attract people from the surrounding villages, the other two have more limited facilities and a large proportion of the population travel out for work each day. Also while people living within a five mile radius of Dormitory Village 1 were some way from the next nearest branch; many of those within the catchment area of the other two villages had easy access to another branch of their own bank. We return to this point below when we discuss take-up.

At the other extreme, use of the branch in Rural Village 2 was the lowest, with just 253 visits for shared banking service transactions over the course of the year. It was also the site with the smallest catchment population. Levels of use by personal customers were also relatively low in the other two rural villages, which are also in sparsely populated areas. One of these did, however, have a particularly large number of business visits (Table 2.2).

Table 2.2 Footfall at the shared banking service by pilot site

	Business customers			Personal customers
	Registered	Users	Visits	Visits
Market town 1	43	24	194	2,141
Market town 2	21	21	341	1,734
Market town 3	28	28	271	2,007
Market town 4	35	25	212	2,190
Rural village 1	26	26	141	1,248
Rural village 2	12	12	16	237
Rural village 3	26	21	526	1,216
Dormitory village 1	23	16	235	2,385
Dormitory village 2	72	56	758	4,733
Dormitory village 3	39	29	329	2,683
<i>All</i>	325	258	3,023	13,722

Source: Monitoring statistics

The other point of note is the fact that at Rural Villages 1 and 2 and Market Towns 2 and 3 were the only sites where all the business customers who registered actually went on to

use the service, although most of the businesses in Rural Village 2 only used the service once (Table 2.2). The level of drop out following registration was especially high at Market town 1, where 43 business customers registered but only 24 actually visited the branch to use it. There were also relatively high levels of drop out at Market Town 4 and Dormitory Village 3. The depth interviews identified two main reasons for this drop out. First, some people registered to have a back-up facility to their normal banking arrangements – and then either found the opening hours inconvenient or had never needed the back-up. Others said that they had registered but were still waiting for confirmation that they could use the service.

Take-up

The level of take-up of the shared banking service also varied widely between pilot sites. Take-up at three sites was particularly low; the monitoring showed that the proportion of business customers mailed who actually used the service was:

- 2 per cent at the branch in Dormitory Village 3;
- 3 per cent at Dormitory Village 1, and
- 4 per cent at Market Town 2.

However, detailed investigation of the post codes of customers written to for these three sites showed that they included many who people were in localities that were on the edge of the catchment area for the pilot service and very close to another branch of their own bank. In Dormitory Village 3, for example, three quarters of businesses and four-fifths of personal customers lived on very close to branches in two nearby towns. In Dormitory Village 1, six in ten of all customers were close to a branch in the town where many of its inhabitants worked; while in Market Town 2 half of personal customers and two thirds of business ones were much nearer another branch than they were to the one offering the shared banking service. In our overall estimates of take-up in Table 2.3, we have made allowance for this, as it would otherwise have given a very unrealistic picture of take-up in these localities.

Levels of take-up were, undoubtedly highest in Rural Villages 1 and 3, where between three and four in ten of eligible small business customers had used the shared banking service branches. These branches also had the largest number of visits per business user and the highest level of visits per 100 personal customers mailed. Indeed staff at both branches commented that take-up had exceeded their expectations. Although they had among the smallest numbers of eligible customers for the shared banking service (and therefore generated relatively low footfalls) these two branches had many of the ingredients for a high level of take-up.

Table 2.3 Take-up of the shared banking service by pilot site

	Business customers			Personal customers
	% registered	% used	visits per user	visits per 100 mailed
Market town 1	12	7	8	45
Market town 2	13	13	16	34
Market town 3	11	11	10	63
Market town 4	14	10	8	73
Rural village 1	29	29	5	132
Rural village 2	39	39	1	62
Rural village 3	47	38	25	245
Dormitory village 1	12	8	15	55
Dormitory village 2	15	12	14	107
Dormitory village 3	8	6	11	47
<i>All</i>	14	11	12	64

Source: Monitoring statistics

Both are in deep rural areas with considerable distances to the next nearest branch. In one, this is a 40 mile trip; in the other it is 28 miles. Moreover, both villages are tourist destinations and also have a range of shops and other services that attract people from the surrounding area. There are two other factors of note. First, that both of these sites had received quite a bit of coverage in the local press and, in one case, on local television and radio as well. And secondly, that the staff in these branches were the most enthusiastic about the shared banking service. In Rural Village 3, for example, the staff had promoted the service to tourists through their existing business customers in the hotel and bed and breakfast industry. In both branches staff judged the pilot ‘a great success’

The third rural village was interesting in that high proportions of eligible customers used the service, but they each made only one or two visits overall. Use by personal customers was only about average. There are a number of possible explanations for this. First, in contrast to the other rural villages, it does not have a wide range of facilities nor does it attract tourists so there is really little reason for anyone other than residents to visit the village. Indeed, staff did not expect take-up to be high. Moreover, the bank branch there is also only open from 10.30 to 1.30 daily and the depth interviews showed that this deterred people from using the shared banking service it provides. The monitoring shows that this site disproportionately attracted customers of a bank that had relatively recently closed its branch in the village.

The branch in Market Town 2 attracted slightly above-average use by business customers, but personal use was really quite low. Indeed, staff at this branch had anticipated a much higher take-up. The most likely explanation is the relatively close proximity of other banking services in main centres for shopping and the fact that around eight in ten people of working age are employed in nearby towns. Moreover, the shared banking service attracted very little publicity in the local press and the coverage it received was described as ‘sarcastic’.

Take-up in Market Town 3, and Dormitory Village 2 was at, or very slightly above, the average but might have been expected to be higher. Both localities attract people from the surrounding areas to shop and use other facilities; they are also some way from the next nearest branch. But neither of them received much publicity. Use of one was also almost certainly affected by the part-time opening hours and the fact that many of the local people commute to work in a nearby city.

In contrast, take-up was generally below average in Dormitory Village 1 and Market Town 2, and lower still in Dormitory Village 3 and Market Town 1. Customers in three of these localities all had a wide choice of other branches within a fairly easy journey. Moreover, as noted above, both two of them served as commuter villages for large towns nearby. This almost certainly accounts for the low take-up. Neither market Town 1 nor Dormitory Village 3 had attracted much publicity and the staff interviewed at these two branches were the least enthusiastic about the shared banking service.

Demand for the service in Market Town 4 was undoubtedly depressed by two important factors: the fact that the branch is only part-time and the presence, until late in the pilot, of a weekly mobile bank branch service. Indeed, this was the only branch where use of the shared banking service was still rising at the end of the pilot year. This was undoubtedly fuelled by the closure of the mobile service as the late increase in use was due to an influx of customers who had previously used the mobile. In other respects, it shares many of the characteristics of more successful branches. It is a self-contained, with a number of nearby villages, and the next nearest bank branches involve a 20 mile round trip. Staff at the branch were enthusiastic about the shared banking service and it had also received a fair bit of publicity.

Impact on existing customers

On the whole, staff felt that the extra demand had been easy to meet. In some of the busier branches queues occasionally built up during busy periods, especially on Mondays and Fridays. This was felt most during the early months of the pilot before staff had adjusted to the increase.

The reaction of existing customers was really quite positive, especially in the part-time and more remote branches where customers felt it would reduce the likelihood of closure. Only two branches reported any complaints from business customers about longer queues.

Impact on staff

For the most part, staff had found the shared banking service straightforward and easy to implement, especially on the personal side of their business. Their main complaint was the extra record-keeping and reporting required for business customers. Two branches said that the pilot added about half an hour of additional administration to their normal duties either on Friday afternoon or Monday morning – their two busiest days. Five branches said that they had encountered a few problems in the early days when small businesses were registering to use the service but that these had not persisted.

Staff at all but two branches were keen that the shared banking service should continue. They gave several reasons for their enthusiasm. First, it increased the volume of transactions and meant that they were busier during the day. Secondly, they had had very positive feedback from users and *'being able to help people makes you feel good'*. They felt that they were doing a bit more for their community. Thirdly, they had received positive feedback from existing elderly and small business customers who were worried about possible closure of the branch. Finally, and linked to this, staff at one branch felt it increased their job security.

Staff at one branch were ambivalent and attributed a dip in their satisfaction score to the shared banking service pilot as *'nothing else has changed this year.'* On the whole, though, they would be content for the service to continue. Only one branch would not be sorry if the service were discontinued, as staff felt that the extra work involved with the shared banking service was deflecting them from other aspects of their work.

Summary

Overall, the shared banking service attracted fairly low levels of use – in terms of both footfall and levels of take-up among the eligible customer base. In total 5,500 personal and 325 business customers used the service – around one in nine (11 per cent) of eligible businesses and about one in six (17 per cent) personal ones. On average, business customers made a total of 12 visits over the year of the pilot; personal customers just four. There was, however, evidence of latent demand. We estimate that up to further 4 per cent of personal customers and 8 per cent of business ones might start to use the service if it were to continue and attracted greater publicity.

A range of factors determined use. Use is high where the community has a range of shops and other facilities and acts as a magnet, not only meeting most needs of residents but also of people and businesses in the surrounding area. This effect is magnified if it is some distance to the next nearest branch, involving a round trip of 20 miles or more. Publicity and staff enthusiasm were also ingredients of success. If, in addition to these factors, there is also a sizeable population of 'bank dependent customers' then footfall, too, will be high.

Conversely, use was lowest where there is no reason for outsiders to visit a community, and a high proportion of the local population commutes to work in a large nearby town. It is also depressed where there is a wide choice of other banking facilities relatively nearby. Part-time branches attract less use than those open for more hours.

The shared banking service had had little impact on existing customers, many of whom were quite positive about the pilot. Staff, too, had found it easy to run, with the possible exception of the paperwork generated on the small business side. Most felt positive about the pilot and felt that it provided a useful service.

Chart 2.1 Personal customer visits

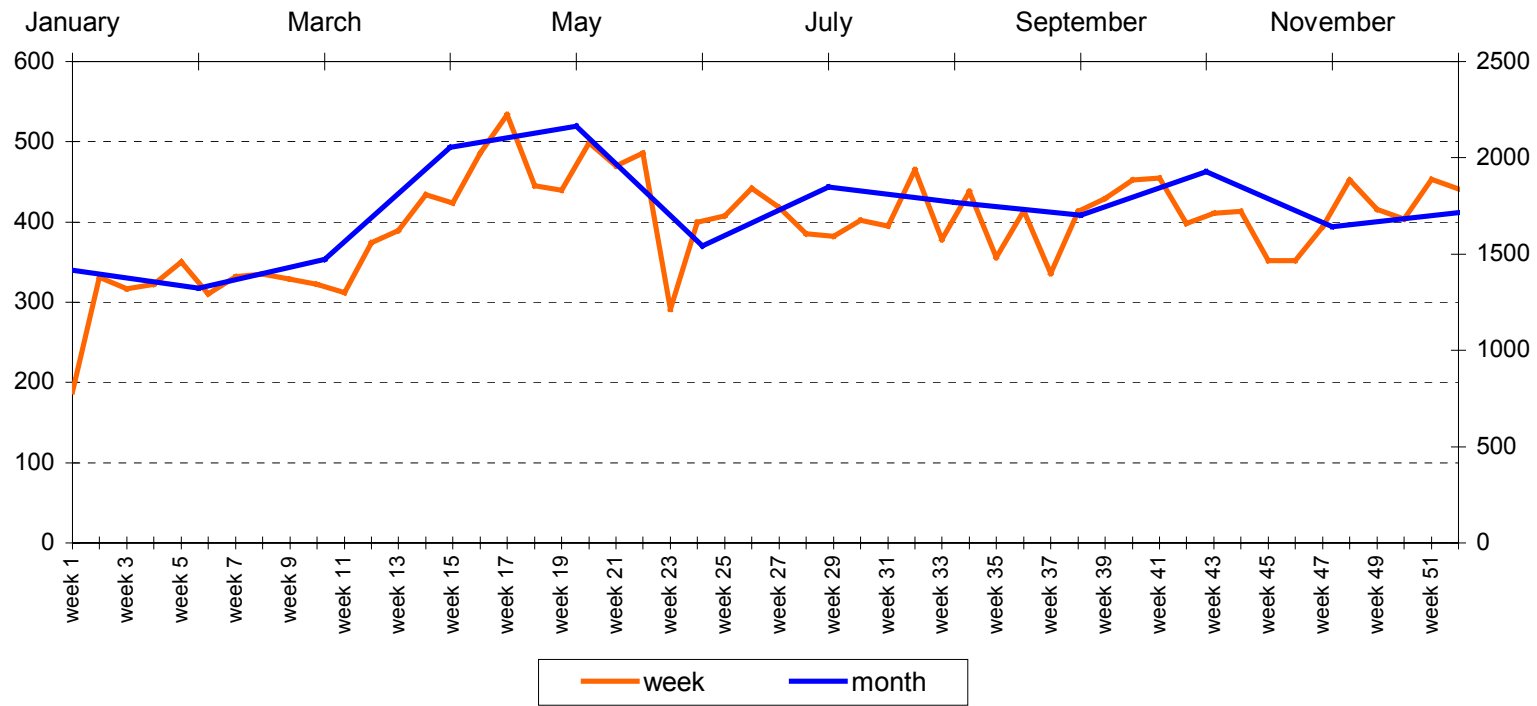
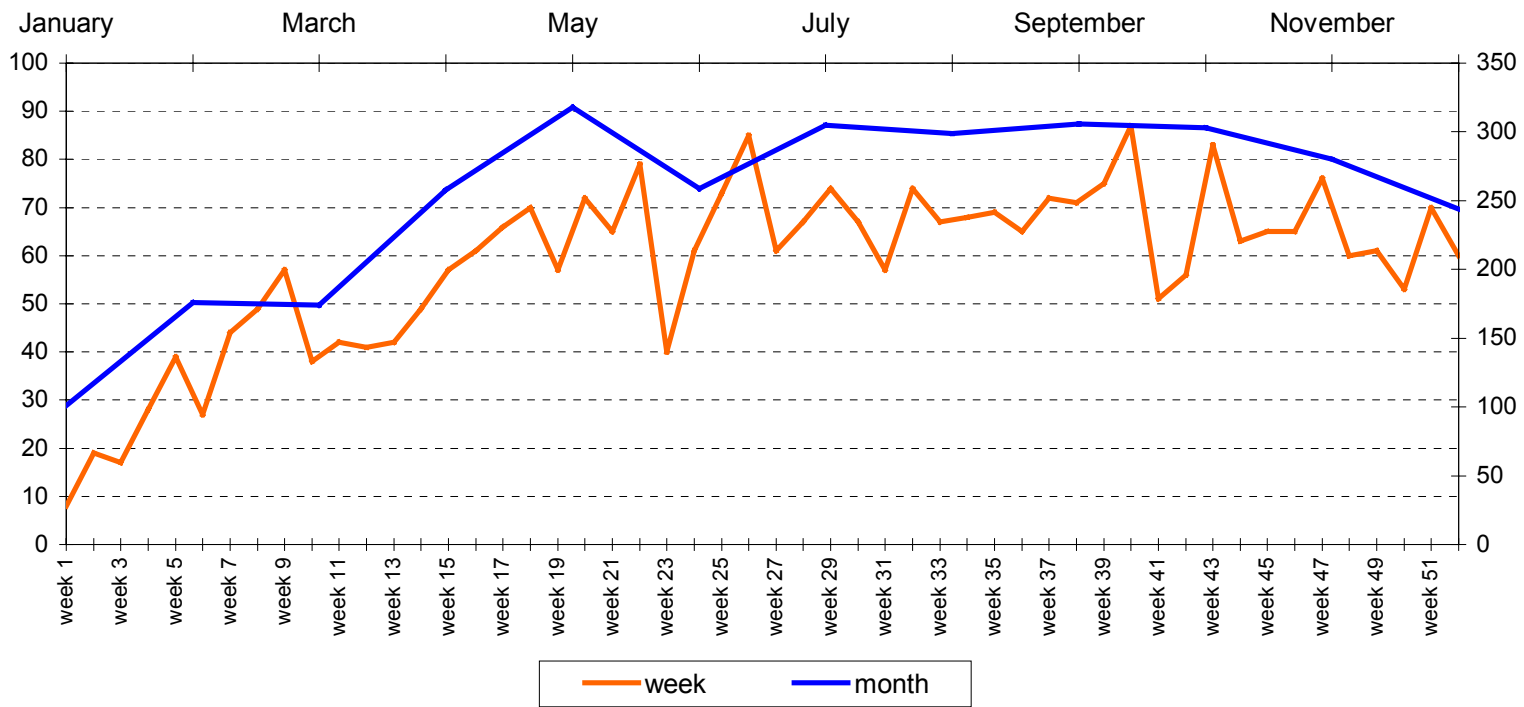


Chart 2.2 Business customer visits



3. Who uses the shared banking service?

Earlier research has shown that small businesses are far more intensive users of over-the-counter banking services than personal customers. Seven in ten (70 per cent) of small business customers that were remote from a bank branch³ said that they visited a bank branch at least once a week, compared with a third (34 per cent) of personal customers. In both cases, branch visits were less common among the rural population (57 per cent of businesses and 31 per cent of personal customers) (Kempson and Jones, 2000).

As a consequence businesses also expressed higher levels of interest in some form of shared banking service. As already noted, two thirds (66 per cent) of rural small businesses said that they thought they might use a full-time shared banking facility at least once a month if it were provided in their community; compared with half (47 per cent) of personal customers. The level of interest was somewhat lower if the shared banking service were only part-time. There was, however, little difference in levels of interest between the rural and urban populations (Kempson and Jones, 2000).

In the previous chapter we saw that take-up was a good deal lower than the level of interest that had previously been expressed. In this chapter, therefore, we look at who actually used a shared banking service when it was provided.

Personal customers

Previous research has shown that, among people that were remote from the nearest bank branch, those who were most likely to visit a branch at least once a week were: in their thirties, in work (with part-timers making slightly more visits than full-time workers) and had few barriers to access. Those who visited a branch least often included retired people – especially if they were aged over 70; others who were not in work, and people with access problems. Never-the-less, people who seldom visited a bank branch often depended on over-the counter banking transactions and made little use of other banking services such as cash machines and telephone or internet banking even less (Kempson and Jones, 2000).

Consequently, this same study found that the concept of a shared banking service was most attractive to retired people aged in their sixties or seventies, people unable to work through long-term illness or disability and people in part-time work. But, with the exception of part-time workers, most did not expect to need to use the service frequently (Kempson and Jones, 2000).

The shared banking service pilot has shown that, in reality, use was highest among those with easiest access – that is people who lived or worked near the branch and were in the area when it was open.

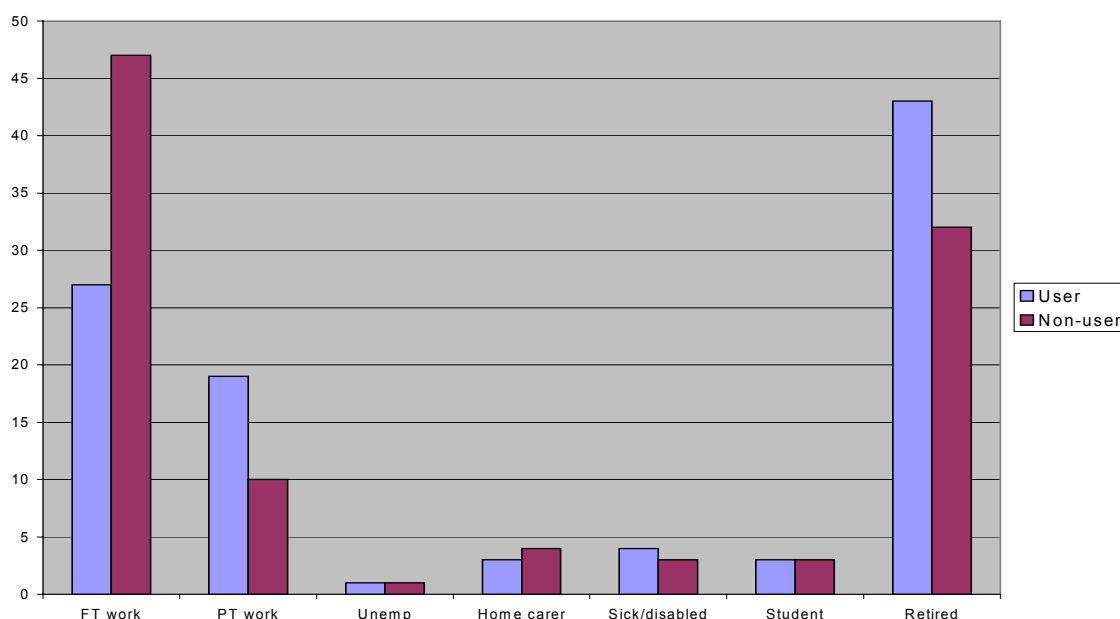
³ Defined as being more than 4 miles from the nearest branch in rural areas; over a mile in urban ones

Characteristics of users

The heaviest users of shared banking services were people who were around during the working day, and retired people and part-time workers in particular.

Retired people were, in fact, the largest group – comprising 43 per cent of all users; they were also over-represented compared with non-users, 32 per cent of whom were retired. Although not nearly so numerous, part-time workers were also greatly over-represented, (19 per cent compared with 10 per cent of non-users).

Chart 3.1 Employment status of personal customer users and non-users



Source: Postal survey

In contrast, full-time workers were greatly under-represented (27 percent compared with 47 per cent). There were two, linked explanations for this. First, six in ten people in employment worked further away from the branch than they lived from it, and secondly, none of the shared banking service pilot branches was open outside normal working hours – indeed four were only open part-time.

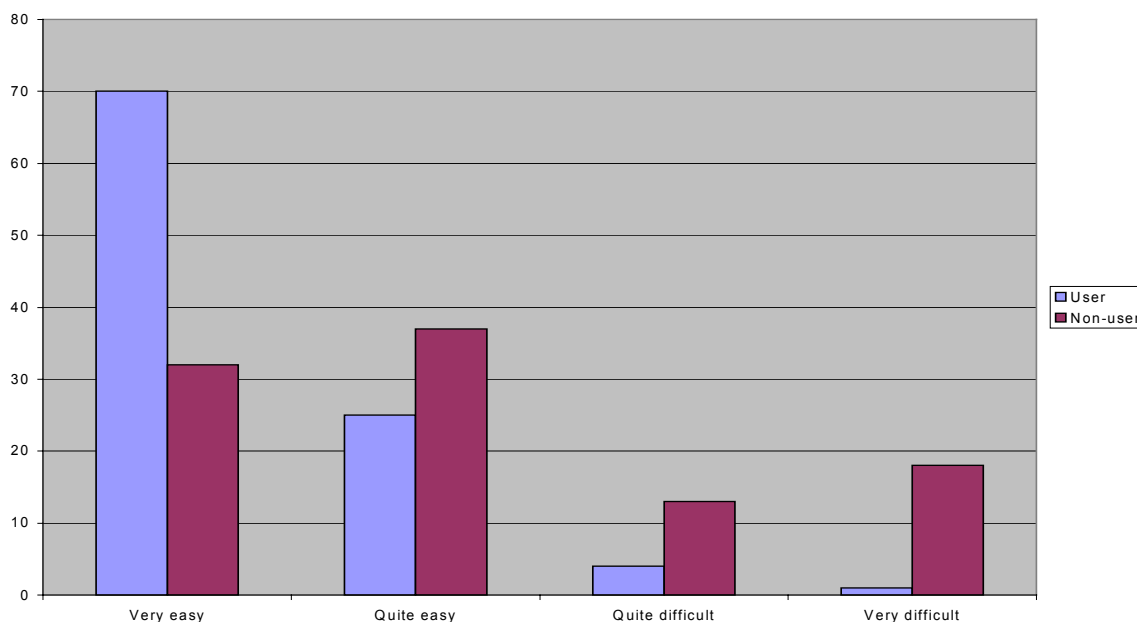
Women slightly out-numbered men, but not by a large margin. And although two thirds (64 per cent) of all users were aged over 50, this was broadly representative of the overall population in the shared banking service areas. Users included an above-average proportion of people in their sixties or seventies (39 per cent compared with 28 per cent of non-users). People aged under 30 or over 80, however, were under-represented

Reflecting this age structure, six in ten users (58 per cent) were couples with no children and half (52 per cent) of them were home owners without a mortgage. In both cases the proportions among non-users was much smaller (43 per cent and 38 per cent respectively). Other types of household and people still buying or renting their home were less common among users than non-users.

Access

Ease of access undoubtedly played a key part in determining levels of use. So, seven in ten (70 per cent) of users said that it was very easy for them to get to the branch offering the shared banking service, compared with less than half that number of non-users (32 per cent). In contrast, almost a third (31 per cent) of non-users said it was difficult – six times the proportion of users (5 per cent).

Chart 3.2 Ease of reaching shared banking service branch (personal customers)



Source: Postal survey

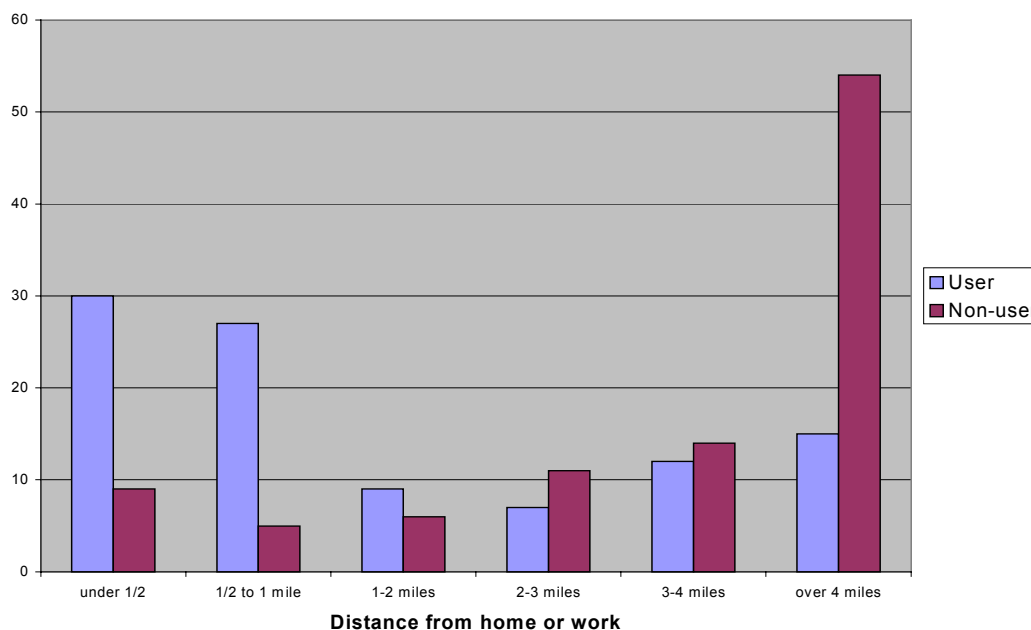
On average, people who had used the service lived 2.1 miles from the branch; while non-users lived twice as far away⁴. Over half (53 per cent) of users lived within a mile of the branch and two thirds (64 per cent) within 2 miles. In contrast, six in ten non-users (58 per cent) lived four or more miles away.

In fact, three in ten of the people interviewed lived (or believed they lived) more than six miles from the shared banking service branch. This was explained by two factors. First, people's perceptions of distance were influenced by natural barriers, such as rivers and motorways. Secondly, distances were often longer than they appeared on maps, partly because of these natural barriers and partly because of winding rural roads.

⁴ In calculating mean distances we have omitted the very small number of people saying that they lived more than 10 miles from the branch or worked more than 60 miles away as these greatly distorted the averages.

Users also included more people who also worked locally. A quarter (25 per cent) of the employed users worked within two miles of the branch compared with just 6 per cent of non-users.

Chart 3.3 Distance to shared banking service branch from home or work (personal customers)



Source: Postal survey

So combining these, almost six in ten users (57 per cent) lived or worked within a mile of the shared branch; while a similar proportion (56 per cent) of non-users had at least four miles to travel from their home or workplace. The average distance for users was 2.1 miles; non-users needed to travel an average of 4.3 miles. It is, however, important to note that non-users had to travel just as far (4.5 miles on average) to use the branch they normally visited.

As the pilot sites were all in fairly rural areas, car ownership was high among all eligible customers, whether they had used the service or not. Even so users were more likely to have access to a car whenever they needed it (90 per cent compared with 79 per cent of non-users). And they had half the likelihood of being without a car entirely (7 per cent compared with 13 per cent).

Users and non-users did not, however, differ in either the proportion of people with ill-health or a disability that restricted their mobility, or in the frequency of local public transport.

Reasons for using the shared banking service

In view of this analysis it is not altogether surprising that almost all users cited easier access as the main reason for having used the shared banking service.

Most people commented on the long distances they would otherwise have to travel to get to a branch. And being able to bank locally was particularly important for people who worked full-time.

Having to travel 20 miles to my bank is not always easy, especially when working full-time. Now I can go to [Rural village 3] in my lunch hour to do any banking that I need to. This makes life a lot easier

Because I work in [Rural Village 1], so it is very convenient, easy and quick... I should otherwise have to go to [nearest town] ... This would entail a ten mile journey and probably parking difficulties, wasting at least an hour, which I can't spare in a working day.

Other people used the service because it involved a more convenient journey.

Using the branch at [Dormitory Village 1] allows me to do my banking on the way to and from work, without making an effort to go to [my own branch].

While time was of the essence for people in work, cost was an important factor for people on low incomes.

Because it is 18 miles to [my branch] and because I am retired I am on a limited income it saves time and petrol to use the branch in [Market Town 3]. It is very useful and I hope this service will continue.

Many of the people who used the shared banking service indicated that it was an important initiative that they were pleased to support. But a minority of people had decided to use the shared banking service solely to ensure it was a success.

I made a deliberate decision to use the bank [in Market Town 4] to support the shared banking services scheme, which is essential to many people in our rural area, although I personally have good access to other banks.

Use of other banking services

Only one in twelve (8 per cent) of users had made no use of any other banking services during the year of the shared banking service and six in ten (60 per cent) had used another branch. We do not know, however, whether they used the other branch as well as the shared banking service or were reporting use they had made before deciding to use the new service.

In fact, users of the shared banking services made as much use of other banking facilities - cash machines, cash-back and Post Office agency arrangements - as did non-users. If anything they made *more* use of telephone and internet banking, so they do not seem to have been drawn from the more branch-dependent customers. Again, though, we do not know if they used these before they started to use the shared banking service or also used them alongside it.

Evidence on the use of Post Office bank agency arrangements supports the view that some people did switch and independent monitoring by the Post Office indicates that use of agency arrangements declined significantly at Post Offices located near a shared banking service pilot branch. Altogether one in five (19 per cent) of the people surveyed who said that they had used a Post Office bank agency had also tried the shared banking service. Monitoring of the use of bank agency arrangements at local Post Offices in the pilot areas suggests that fewer than a fifth of these had switched altogether; the rest almost certainly used the two services alongside one another. Impact on Post Offices was, however, greatest at sites where there were large numbers of Lloyds TSB and Barclays customers as the other two high street banks do not currently have agency arrangements with the Post Office.

Small business users

Previous research showed that the most branch-dependent businesses were those run from non-residential premises, three quarters of whom visited a branch at least once a week. Retailers and those in the hotel and catering trade were particularly frequent branch users; eight in ten of them went to a bank branch at least once a week. They were also the ones that expressed the greatest enthusiasm for shared banking services, along with small businesses in the construction industry (Kempson and Jones, 2000).

Both use of branches and enthusiasm for shared banking services were lowest among clubs, societies and other non-commercial organisations and also among businesses offering professional services or in the agricultural sector (Kempson and Jones, 2000).

Characteristics of small business users

On the whole, use of the shared banking service pilot mirrored this earlier research, with one exception – almost six in ten users were home-based (58 per cent) compared with just four in ten (42 per cent) of non-users. In contrast, non-residential businesses were about as common among non-users as they were among users. Clubs, societies and other non-commercial organisations, on the other hand, were greatly under-represented among users of the shared banking services (19 per cent compared with 33 of non-users).

As with personal customers, this is almost certainly explained by access to the service during its opening hours. People running home-based services both lived and worked locally, while treasurers of clubs and societies often went out of the community to work.

One in ten of the small business customers responding to the postal survey said that the account address was merely used for correspondence and the business was run elsewhere. And as might be expected, these businesses tended to be located further than five miles from the shared banking services branch and were predominantly non-users.

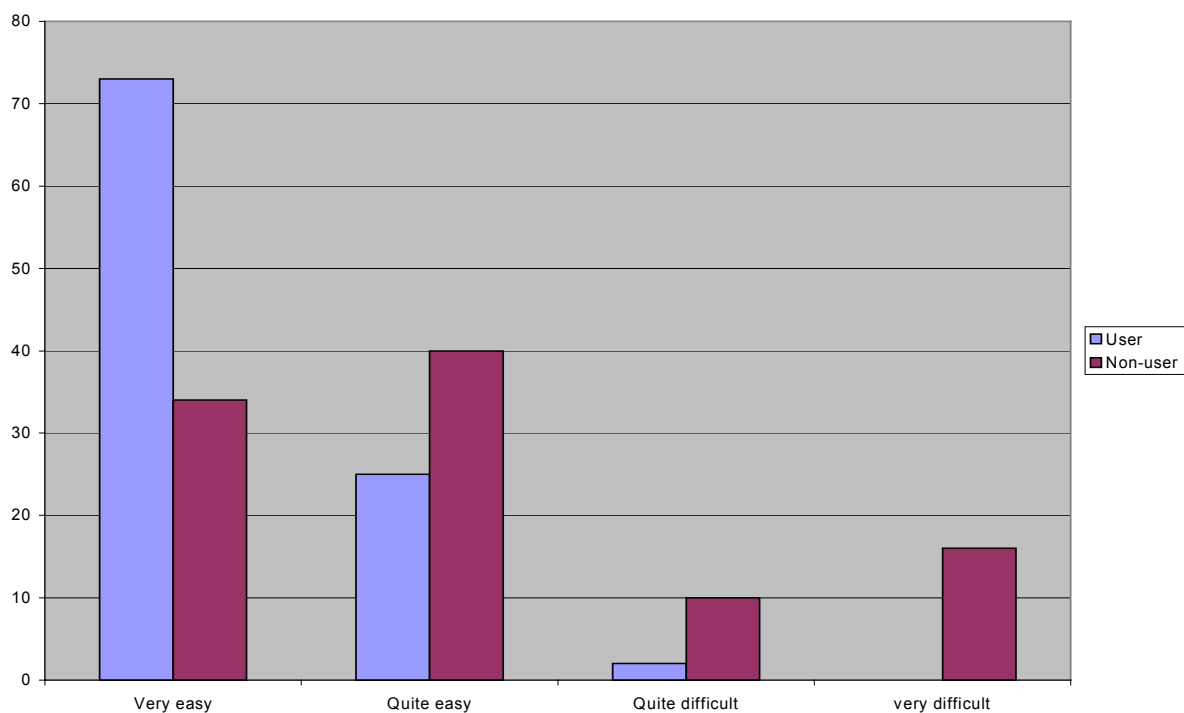
The types of commercial business that most used the shared banking services were the ones who had, in previous research, expressed greatest interest in the idea. So, four in ten users (40 per cent) were retailers, in the hotel or catering trade or in the construction industry compared with a quarter of non-users (24 per cent). There were also some important differences in their size, which could well affect access. Three quarters (74 per cent) of the commercial business

users had more than one employee, compared with under six in ten (56 per cent) of non-users. As we shall see in Chapter 5, sole-workers often found it difficult to leave their business during the middle of the working day when the shared banking service branches were open.

Access

Again, users had much easier access to the shared banking service pilot branches. Three quarters of small business users (73 per cent) said that it was very easy to reach the branch, compared with only a third (34 per cent) of non-users.

Chart 3.4 Ease of reaching shared banking service branch (business customers)



Source: Postal survey

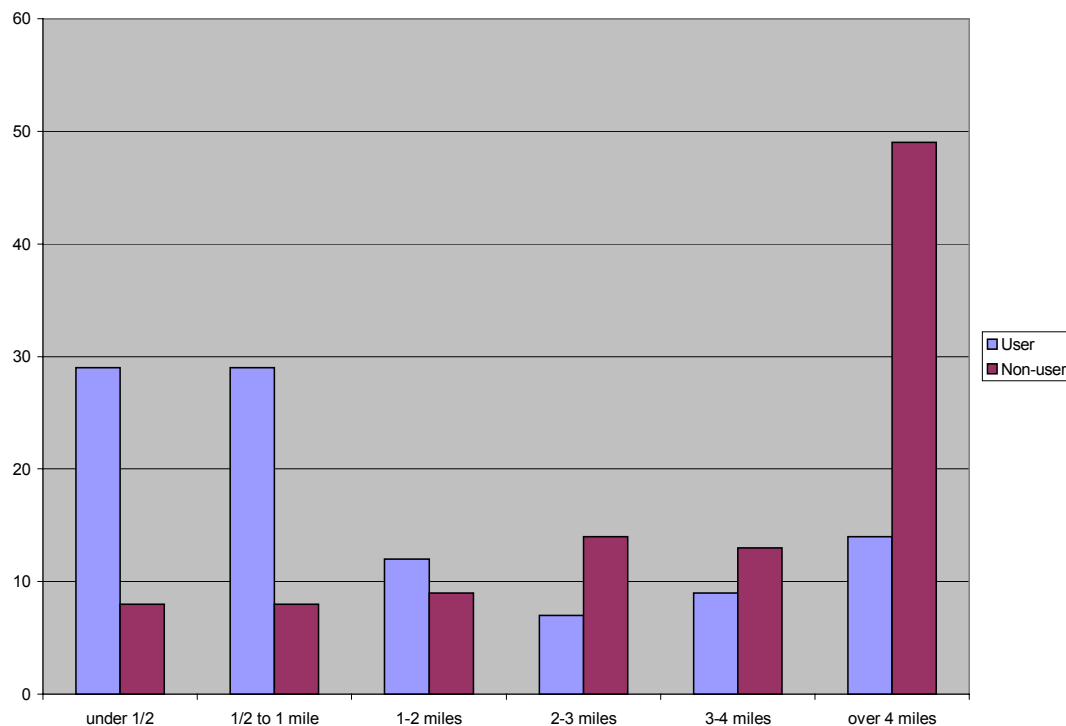
More than a quarter of non-users (26 per cent) said they found it difficult to get to the branch, while only 2 per cent of users said the same.

On average, small business users had to travel 2.4 miles from their registered business address to the shared banking services branch; non-users needed to travel five miles. So, while half (49 per cent) of business users were located within a mile of the branch, six in ten of non-users (58 per cent) were four or more miles away. Users also lived a lot nearer to the branch than non-users.

Consequently, users lived or worked an average of 1.8 miles from the pilot shared banking services branch, with six in ten of them (58 per cent) within a mile of it. In contrast, non-users had to travel an average of 4.0 miles from their business or home to the pilot branch and only 16 per cent were within a mile.

Again it is worth noting that non-users of the shared banking service travelled an average of 5.7 miles to use the branch they actually visited. Only one in five of them (22 per cent) lived or worked within a mile of it; while six in ten (58 per cent) both lived and worked at least four miles away.

Chart 3.5 Distance to shared banking services branch from registered business address or home



Source: Postal survey

Reasons for using the shared banking service

Like the personal customers, just about all the small business users cited convenience as the reason why they had decided to register and use the pilot shared banking service.

Many of the small businesses in the commercial sector needed to make frequent visits to a bank branch and, consequently, had to make a special journey to do so. In business, time is money so it was not surprising to find that saving time was the principal reason for them using the shared banking service.

It is the nearest bank by far, so it saves us both time and money each time we use it.

The closest NatWest bank is 12 miles away. I was very pleased when we were told we could use Barclays to pay in cheques etc as Barclays is only a few hundred yards away.

It takes an hour to [my branch] and back just to bank money.

In contrast, people who were responsible for the banking of non-commercial organisations needed to make fewer visits to a bank branch and often cited the convenience of combining them with other things.

I use the many facilities in [Dormitory Village 2] - the Post Office, bank and various shops – [personally] and also in my job as school secretary. I find it very convenient to combine the two.

Use of other banking services

As with personal customers, there was no evidence that small business users of the shared banking service relied on over-the-counter transactions and consequently made less use of other banking facilities than non-users.

Summary

Use of the shared banking service was highest among those with the easiest access – customers who lived or worked near the branch and who were able to visit it during the hours it was open.

So among personal customers, the heaviest users were people who were around during the day and especially retired people and part-time workers. Seven in ten users said it was very easy for them to get to the shared banking service branch and over half of them lived within a mile of it. Easier access was, unsurprisingly, the main reason they gave for having used the new service. Many indicated that it was an important initiative that they were pleased to support, but a minority had decided to use it primarily to ensure that it was a success.

Among small business customers, home-based businesses were the heaviest users of shared banking services; clubs, societies and other non-commercial bodies used it least. Again this is almost certainly explained by the fact that the first group was more likely to be in the vicinity of the branch when it was open. Among the commercial businesses, the heaviest users were retailers, those in the hotel and catering trade or in the construction industry. Businesses with employees used the shared banking service more than people who worked alone. Half of small business users were located within a mile of the shared banking service branch and three quarters said it was very easy to get to. Again, convenience (saving time and money) was the main reason why they had chosen to use the new service.

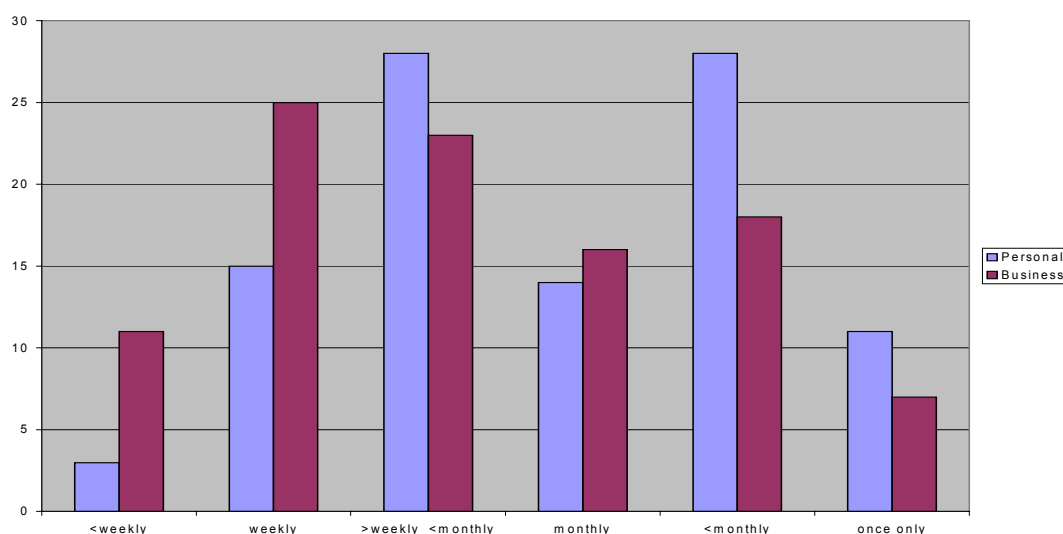
4. Patterns of use

On the whole, use of the shared banking service was modest. Most customers visited the branch fairly infrequently and the number and size of the transactions they undertook was relatively small. Small businesses, however, made more use of the service than personal customers did. Both groups of customers were highly satisfied with the service and clearly wanted it to continue.

Frequency of use

Most customers did not visit the shared banking service very often, although small businesses made more frequent visits than personal customers. Overall more than a third (36 per cent) of business customers said that they visited the shared banking service branch at least once a week – twice the proportion (18 per cent) of personal customers (Chart 4.1).

Chart 4.1 Frequency of shared banking service visits by personal and small business customers



Source: Postal surveys

At the other extreme, three in ten personal customers (28 per cent) and two in ten small businesses (18 per cent) visited the branch less than once a month (Chart 4.1).

It is, however, important to set this in context. Customers who had not used the shared banking service visited a bank branch only slightly more frequently. Four in ten small businesses (42 per cent) and three in ten personal customers (30 per cent) said that they went to their bank branch at least once a week. An earlier study of bank customers in localities that were distant from a bank branch⁵, also found a greater frequency of branch

⁵ Four miles in rural areas and 1 mile in urban ones

visits in rural areas - especially small among business customers. Three in ten (31 per cent) of personal customers in rural areas visited a one at least once a week, as did seven in ten (57 per cent) rural small businesses (Kempson and Jones, 2000).

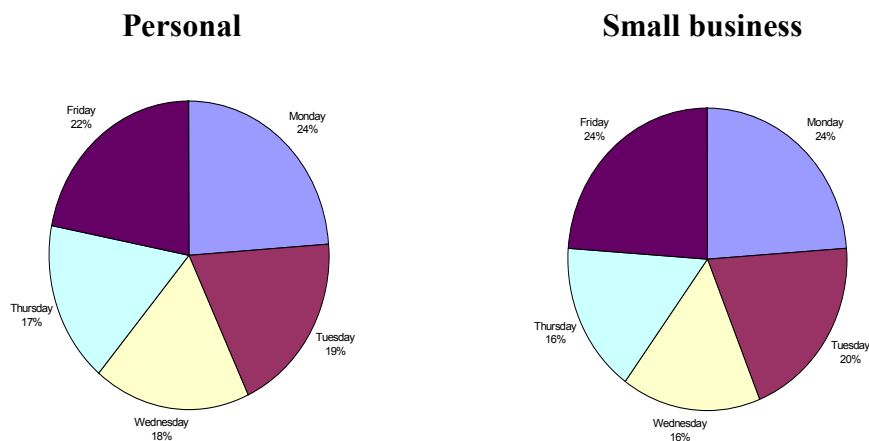
There are a number of possible explanations for these discrepancies. First, bank customers in the ten pilot areas that were eligible to use the shared banking service differed in important respects from the general rural population living distant from a bank branch. In particular, there was a higher than average proportion of elderly people at many of the sites. Secondly, as we saw in Chapter 3, users of the shared banking service were drawn from the types of customer who make less frequent visits to a bank branch. And thirdly, as we discuss below, users may have been visiting another branch as well as the one offering the shared banking service.

A small number of customers said that they had only used the shared banking service once. The postal survey would seem to indicate that this was not because they were dissatisfied with the service they received. All the small businesses and four fifths of personal customers making a single visit said that they were satisfied with the service offered.

Busiest days of the week

Interviews with staff running the shared banking service pilots indicated that Mondays and Fridays were the busiest days of the week. The monitoring of use confirmed this, although the difference from day to day was less than staff had indicated. Together these two days accounted for about half of both personal and small business transactions (Chart 4.2).

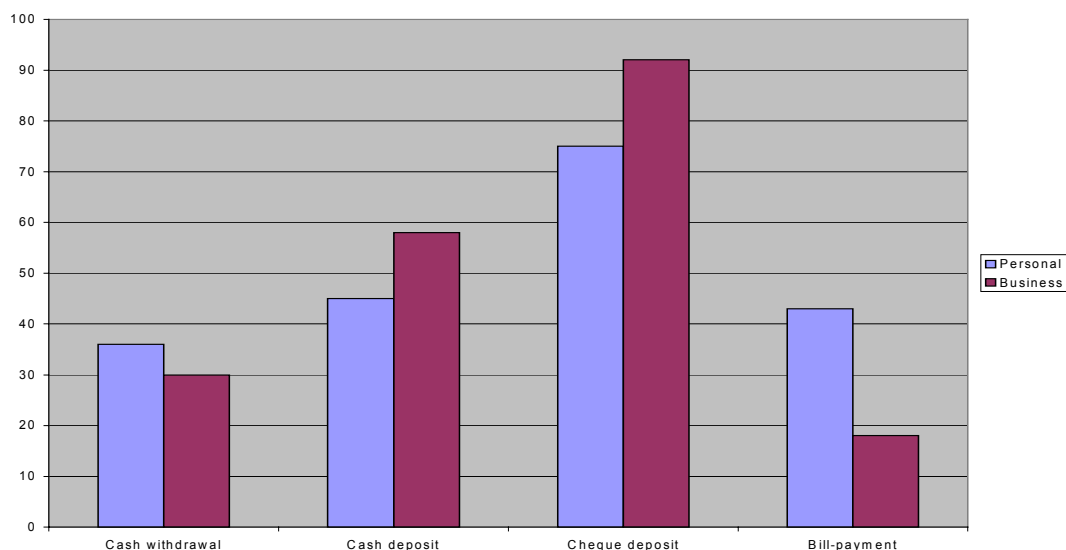
Chart 4.2 Number of transactions per working day



Type and value of transactions undertaken through the shared banking service

The most common transaction, for both personal and business customers, was paying cheques into their account. They represented the largest proportion of overall transactions and also the largest percentage of customers using them.

Chart 4.3 Services used by personal and business customers



Source: Postal surveys

In total, cheque deposits represented half (50 per cent) of all personal transactions through the shared banking service and six in ten (60 per cent) of business ones. Three quarters of personal customers (75 per cent) and nine in ten business ones (92 per cent) said that they had used the shared banking service to pay in cheques (Chart 4.3).

In contrast, cash deposits were made much less frequently, although they were a more numerous among small businesses. A third (32 per cent) of all the transactions made by small businesses were cash deposits, compared with two in ten (19 per cent) of those made by personal customers. About six in ten (58 per cent) of small businesses but fewer than a half (45 per cent) of personal customers said that they had deposited cash through the shared banking service (Chart 4.3).

Cash withdrawals were made by relatively small proportions of both types of customer (Chart 4.3) and they were also a very small part of the overall number of transactions – 14 per cent of personal transactions and just 6 per cent of business ones. Most of the ten localities had other sources of cash. All but two had cash machines in the town or village and, in six cases the shared banking service pilot had a cash machine itself. All also had a Post Office, which Lloyds TSB and Barclays customers could have used to cash a cheque.

In fact, personal customers made more use of the bill-payment facility than cash withdrawals. More than four in ten (43 per cent) said that they had paid bills through the shared banking service and 16 per cent of all the transactions made by personal customers were bill-payments. In contrast this service attracted very few small business users (Chart 4.3).

Note and coin exchange is required by only a minority of business customers – mainly retailers and some of those in the catering industry. This was borne out by the monitoring, which showed that it represented just 2 per cent of all transactions.

Staff in the pilot branches noted that the range of transactions made by the shared banking service customers was very similar to those made by their own customers. Three noted that cash withdrawals were slightly lower, especially among the small business customers and in one branch levels of bill-payment were thought to be lower among the shared banking service customers.

Again it is interesting to draw a comparison with the services used by customers who chose to go to a branch other than the one offering the shared banking service. Generally speaking there was no significant difference in the use of cash withdrawals or cash deposits. But both personal and small businesses users of the shared banking service were much more likely to have deposited cheques than their counterparts who visited other branches. Three quarters of shared banking service personal customers (75 per cent) had deposited cheques in the past year, compared with six in ten non-users (62 per cent). Likewise, while nine in ten of small business users of the shared banking service (90 per cent) had deposited cheques; only three quarters (76 per cent) of non-users had done so. The other major difference was in the higher proportion of shared banking service personal customers who had visited a branch to pay bills (43 per cent compared with 33 per cent of non-users).

Value of transactions

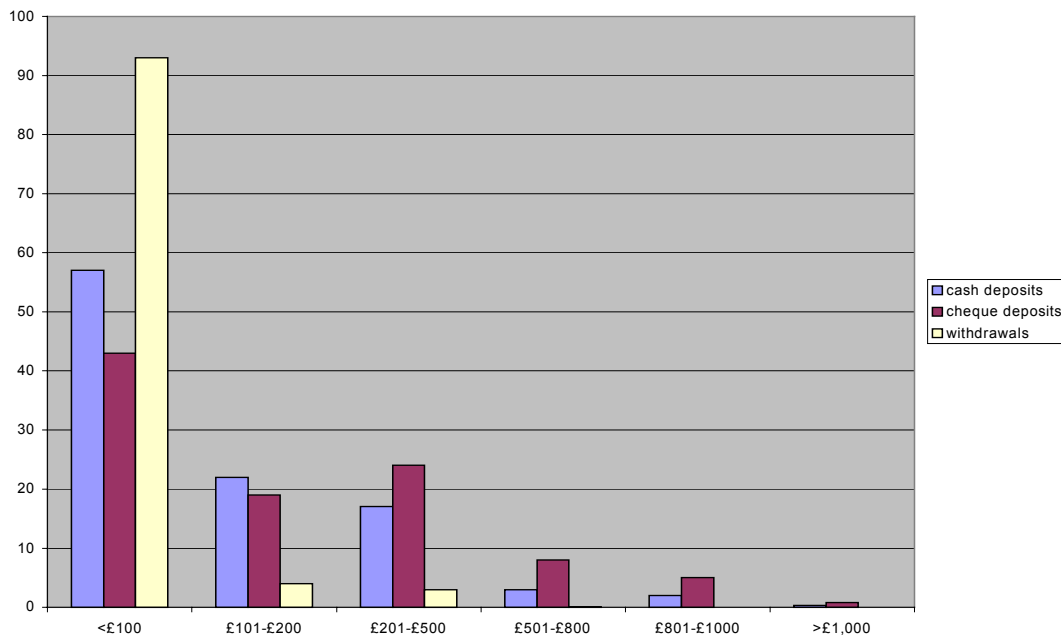
As might be expected the average value of the transactions undertaken by small business users was a good deal higher than those carried out by personal customers. But the sums of money were not large in either case.

On average, small businesses that deposited cash paid £589 into their accounts, compared with £164 deposited by personal customers. The difference in cash withdrawals was greater still, averaging £450 for small businesses and £74 for personal customers.

Unfortunately the monitoring did not include the value of cheque deposits made by small businesses. For personal customers, however, it was by far the largest transaction in monetary terms – averaging £248. In all likelihood this will also have been the same for small businesses.

These averages do, however, mask a wide variation in the size of individual transactions, and especially so among the small business customers (Charts 4.4 and 4.5).

Chart 4.4 Transaction amounts – personal customers

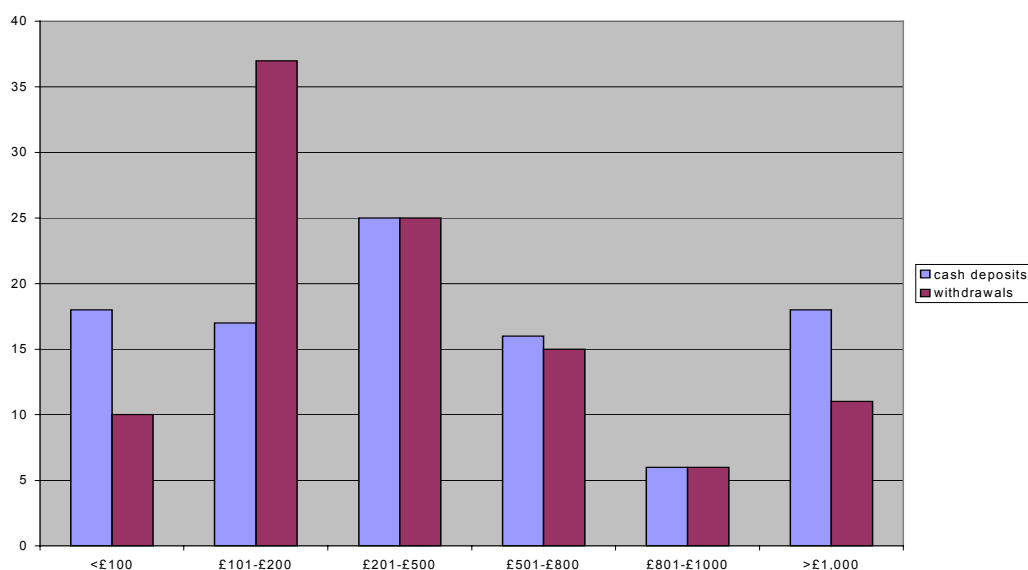


Source: Monitoring statistics

Just about all the cash withdrawals made by personal customers were for £100 or less – the upper limit on most cheque guarantee cards. The majority of their cash deposits were also £100 or less; cheque deposits, on the other hand, varied rather more in size (Chart 4.4).

The variation was, however, far greater among the transactions made by small businesses. Here only a minority of cash deposits were for £100 or less – indeed deposits of £1,000 or more were just as common. Cash withdrawals were predominantly between £100 and £500 but, even so, a third were for sums in excess of £500 (Chart 4.5).

Chart 4.5 Transaction amounts – small business customers



Source: Monitoring statistics

Levels of satisfaction

There can be little doubt that users of the shared banking services were pleased with the new service. All of the small business customers expressed satisfaction with the business banking service they were offered through their pilot branch, with two thirds of them (67 per cent) saying that they were very satisfied. Indeed staff in the ten pilot branches all reported that, once businesses had registered, the service offered to them had run quite smoothly. We discuss the process of registration in the next chapter.

Levels of satisfaction were only a little lower among personal customers; six in ten (62 per cent) were very satisfied and a further three in ten (31 per cent) quite satisfied. But that still left a minority (7 per cent) expressing some degree of dissatisfaction. From the interviews with staff and comments made by users of the service it was clear that there were a number of problems. First, many personal customers did not realise that they needed to have a paying in book to deposit cash or cheques – they had expected to be able to use the slips provided in the branch. Secondly, there were problems with the £1,000 limit on cheque deposits, with a minority of customers wanting to deposit more than this amount (the corresponding £10,000 limit for businesses, however, did not cause any problems). Thirdly, a few personal customers mentioned limits on cash withdrawals, which would have been determined by the amount covered by their cheque guarantee card. Finally, a small number of customers wanted additional services that were not offered as part of the shared banking pilot. The three most commonly mentioned were cash withdrawals using a debit card as opposed to a cheque book, foreign exchange and statements of the balance in the account. Although restrictions to the service were described in the publicity leaflet, it was clear that many people had not read this carefully and assumed that they would get a full banking service, comparable to the one at their own branch. On the whole, most people accepted these restrictions when they were pointed out to them by branch staff, but for a minority they were a source of dissatisfaction.

Summary

Overall, use of the shared banking service was modest, although it was higher for small businesses than personal customers. But this needs to be set in context, as non-users made remarkably similar levels of use of the branch they chose to visit.

Most users made fairly infrequent visits, with about a third of small businesses but only two in ten personal customers going to the branch at least once a week. This was, however, no less frequent than non-users visited a bank branch. Mondays and Fridays were the two busiest days of the week.

Cheque deposits were the most common transaction, for both types of customer. Cash deposits were made less frequently, although they were more common among the small businesses. Cash withdrawals were less common still, while the bill-payment facility attracted more personal than small business customers. Demand for note and coin exchange was very small indeed, even among the small businesses. As might be expected, the average value of small business transactions was a good deal higher than those made by personal customers. But in both cases, the average sums of money were relatively small.

Levels of satisfaction with the shared banking service were very high: two thirds of small businesses and six in ten personal customers said that they were very satisfied and branch staff confirmed that there had been very few problems. Indeed, none of the small users and just 7 per cent of personal customers expressed any dissatisfaction. A minority of personal customers had expected to have a full banking service identical to the one they got at the branch of their own bank and were disappointed when they realised that the pilot service was more restricted.

5. Reasons for non-use

There were five main reasons why some personal customers and small businesses did not use the shared banking service. The two main ones were that people found it easier to get to another branch or that they seldom or never visited the town or village where the shared banking service was located, but regularly went to another town with a branch of their own bank (Table 5.1). A minority said that they had not used the service because they were content with their current banking arrangements and fewer still said that they seldom or never visited a bank branch at all. However, a small but significant proportion cited shortcomings related to the shared banking service as their main reason for not using it. Each of these issues is explored in more detail in the sections that follow.

Table 5.1 Reasons for not using the shared banking service

	Personal customers	Small businesses
Easier to get to another branch	39%	35%
Seldom/never visits shared banking service location	31%	35%
Loyalty/content with current arrangements	16%	13%
Rarely/never visits a branch	15%	4%
Factors related to the shared banking service	14%	18%
Other	10%	4%

Source: Postal surveys

As some people gave more than one reason the percentages do not total 100%

Easier to get to another branch

Altogether four in ten personal customers (39 per cent) and over a third of small businesses (35 per cent) indicated that it was easier to get to another branch than it was to reach the shared banking service (Table 5.1).

Personal customers

Among personal customers nearly twice as many said that they lived nearer to another branch (21 per cent) than said that they worked nearer to one (12 per cent). On the whole, the people who most often said that found it easier to get to another branch were aged under forty (54 per cent); while people aged over seventy were least likely to say so (20 per cent). It was also a common response among those in employment, whether they worked full-time (48 per cent) or part-time (50 per cent) but relatively uncommon among retired people (27 per cent). As a consequence, it was cited much more frequently by people living in commuter villages (65 per cent) than it was by those living in either rural villages (27 per cent) or market towns (24 per cent).

There was also a strong correlation with having access to a car. So, people who did not have a car more often said that they did not use the shared banking service because they could get to another branch more easily (55 per cent, compared with 37 per cent of people who had access to a car whenever they needed it).

Not surprisingly, people who said it was very difficult to get to the branch offering the shared banking service, and those who lived some distance from it, most often said that it was easier to visit another branch. So eight in ten (80 per cent) of people who said the journey to the shared banking service was difficult also said they found it easier to get to another branch. The proportion giving this reason fell the easier the journey was - to under two in ten (17 per cent) of those for whom the journey was very easy. It would seem that 3 miles is the pivotal distance. Only one in ten people (10 per cent) living or working closer than this to the shared banking service said they could more easily reach another branch. This compares with four in ten (40 per cent) of people living or working between three and four miles away and over a half (55 per cent) of people who were even further away.

Small businesses

Half of businesses operating from a non-residential address (48 per cent) cited ease of getting to another branch as the reason why they had not used the shared banking service. This compares with a third or less of other small business users.

Once again there was a strong correlation with the ease of journey to the shared banking service branch. It was the reason given by seven in ten (69 per cent) of those with either quite or very difficult journeys but only 13 per cent of small businesses who could get to the shared banking service branch very easily. The link with distance was not quite as strong as it was for personal customers. Even so, two in ten (22 per cent) small businesses located within three miles of the shared branch said they could get to another branch more easily. This rose to a third (33 per cent) of small businesses that were between three and four miles away and to more than four in ten (44 per cent) of those that were more distant still.

Seldom or never visits shared banking service location

Although some of the shared banking service locations offered a range of shops and other services, many were located within easy reach of larger towns or cities offering a much wider choice. As a consequence, a third of small businesses (35 per cent) and three in ten personal customers (30 per cent) said that this had influenced their decision not to use the shared banking service (Table 5.1).

Personal customers

One in ten personal customers (11 per cent) said that they had no reason at all to visit the village or town offering the shared banking service. Most commonly, though, people said that they seldom went there but regularly travelled elsewhere for shopping (27 per cent). Only a minority (3 per cent) said they visited a branch on their way to work.

For example, a 75 year old woman living two and a half miles from the pilot branch in Market Town 4 said that she seldom went there because:

There's no shops in [market Town 4], not what you call shops, that I would shop at.

Instead, she and her husband drove nine miles to Spalding once week to do their shopping. About once a month they would visit the bank branch if they either needed to pay a credit card bill or to withdraw more cash than they could get from a cash machine. In common with other personal customers we interviewed, visiting the bank was not the main reason for their journey.

Neither age nor employment status was strongly associated with people saying that they seldom or never visited the shared banking service village or town. Nor was the ease with which people could get there. There was some link with the distance people lived or worked from the shared banking service but again it was not strong. In other words, for these people travelling to another branch seems to be more a matter of preference than convenience.

A small number of people (2 per cent of non-users) actually lived in the town or village with the shared banking service but chose to travel out to meet their banking needs. Again this was a matter of preference. A 69 year old woman, for example, liked to have the excuse to travel to a town ten miles away, to go shopping on her own two or three times a month. She and her husband kept separate bank accounts and she did not want him to know how much money she drew out.

Small businesses

Most commonly, small businesses said that they seldom visited the shared banking service village or town, but regularly went elsewhere on business and took the opportunity to visit a bank branch while they were there (15 per cent).

For example a farmer who also ran a bed and breakfast business needed to shop fairly regularly for supplies. He visited the bank while on one of these regular shopping trips.

I choose not to bank in [Rural Village 1], because there is nothing else in [Rural Village 1] for me. And if I go to [the nearby town] and bank there with NatWest, there is all the shops there that I can pick things up. You know, I can make it a journey to do other things.

A smaller proportion of small businesses (12 per cent) said that they travelled elsewhere for personal shopping or other needs and fewer still (9 per cent) simply said that they had no reason at all to go to the village or town offering the shared banking service.

Typical of those making visits for personal rather than business reasons was a freelance hairdresser, who had not used the shared banking service despite living only a mile away.

We tend to go into [nearby town] on a regular basis... and it so happens that Saturday is the day when we do these things, because we are busy the rest of the week. And if we have got money to pay in, we will normally do it [there] on a Saturday. In truth we rarely go

into [Market Town 1]. We don't even shop [there] ... Apart from the odd pint of milk in the Co-op, we very rarely go into [Market Town 1].

As with personal customers, there was no obvious link with either the ease with which small businesses could get to the shared branch or the distance they lived from it.

There was, however, a link with the type of business. Altogether, four in ten home-based businesses (41 per cent) and non-commercial organisations (40 per cent) said that they combined branch visits with other business or personal journeys. This was twice the proportion of non-residential businesses (18 per cent). This is not altogether surprising as the non-residential businesses also made the most frequent branch visits, for which they, presumably, made a special journey.

Content with current banking arrangements

For a minority of personal customers (16 per cent) and small businesses (13 per cent) physical access issues were much less important than a desire not to change their current banking arrangements (Table 5.1). There were two main, and roughly equal, reasons for this: some people valued the service they got from their existing branch, others expressed a more general contentment with the arrangement they already had.

Small businesses with a good personal relationship with a bank manager valued it and saw this as good reason for travelling slightly further to get to a branch. The owner of a family-run car service station, for example, could easily have got to the shared banking service by making a short detour on his way home from work. Instead he chose to travel an extra 10 miles to the branch he had used for a number of years.

I have a good relationship with the branch small business manager and I pop in and see her and bank at the same time. My own bank, personal bank, is there so I go in regularly for paying bills and various things and paying my Barclaycard.

The proportions of small businesses giving this as a reason for not having used the shared banking service branch did not vary either by the type of business or how easily they could get there. Earlier research has, however, shown that personal banking relationships are determined more by the bank than by the type of small business using them (Kempson and Jones, 2000).

Personal customers tended to cite the length of time they had been with a particular branch and their overall satisfaction with the service they had received. A man in his early forties had used the same branch since the 1970s. He felt he knew the staff and had taken out a mortgage as well as a credit card through them. Although it was very much closer, he was reluctant to switch to the shared banking service branch.

As I say, I wouldn't consider going to another bank for my business. My head will take over as and when it's suitable or acceptable to do so. I mean I have had a good service from the HSBC, I've got no gripes with them. I have a mortgage with them, which was transferred from another mortgage company, which I probably wouldn't have got but for the manager there.

Others, however, were reluctant to change things for reasons unconnected with the service they received from the branch they used. For the most part, these were people who made few visits to a branch. And among personal customers there was a link with age so that people aged over seventy were twice as likely to give this as their reason as younger people, aged under forty. Indeed, two people in their eighties who were interviewed in depth both indicated that they were 'too old for change'.

In a few cases, people had not used the pilot service because they were in the midst of other changes at the time and could not cope with anything more. A widowed woman had only recently finished sorting out her finances following her husband's death and felt that changing to the shared banking service in her home village was too much to contemplate. Instead she relied on lifts to her branch some 14 miles away but, in any case, did not visit it very often.

A freelance computer programmer who worked from home, was just one mile from shared banking service but eight miles from the branch he used. He had just moved house when the letter telling him about the shared banking service arrived.

We had only just moved here, so there were other things on my mind than worrying about taking up a banking option that, in all honesty, I haven't felt deprived by not having. The nature of our business is such that we don't have to pay in cash through the business account at all, not even cheques... they just go through the BACS system. And if I need to make any transfers, or whatever, I ring the business manager and he does it.

Rarely or never visits a bank branch

The proportion of people saying that had not used the shared banking service because they rarely or never visited a bank branch was three times greater for personal customers than small business ones (15 per cent compared with just 4 per cent) (Table 5.1).

Personal customers

As a consequence, there was a much wider range of reasons among personal customers. Some elderly people predominantly managed their affairs in cash and consequently used their bank account very little. They had their state pension paid by order book and collected the money each week from the Post Office. Those with an occupational pension as well usually had this paid into their account and used the money to pay their bills by direct debit or standing order. Their sole reason for visiting a branch would be to pay in a cheque, and this did not crop up very often (see also Kempson and Whyley, 2001). In fact three in ten people aged over 70 gave this as their main reason for not using the shared banking service.

In contrast, younger people who rarely visited a branch made fairly extensive use of the banking services but relied on cash machines for ready cash, paid bills on direct debit and standing orders and had telephone and/or internet bank accounts. A woman working full-time was an airline purser and frequently away from home. To accommodate this peripatetic life

she had opened both telephone and internet accounts and had not visited a branch for several years.

It doesn't really matter where you bank now, you have so much access.

Around 2 per cent of personal customers said that they chose, instead, to use the agency agreement that their bank had with the Post Office. A man in his fifties, for example, worked in Market Town 1 and lived one mile outside. His main current account was with Lloyds TSB and he relied on the agency agreement both to pay cash and cheques into his account and, when needed to withdraw money using a cheque. He could see no reason to change as he was more than satisfied with this arrangement and the Post Office was only 300 yards from his place of work.

It should, however, be noted that there was very little difference between users and non-users of the shared banking service in the extent to which they used alternative banking facilities such as the Post Office or telephone or internet accounts. The depth interviews, however, showed that for many non-users, not visiting a branch very often was frequently a secondary reason for not having used the shared banking service.

Finally, another 2 per cent of personal customer relied on someone else to visit the branch on their behalf. Some of these were elderly or disabled people who could no longer get to a branch; others were younger people whose partner handled the banking near their place of work.

It is important to note that there was no obvious link with the ease of getting to the shared banking service branch, nor with the distance people lived from it. People without a car had twice likelihood of saying they had no need of the shared banking service because they rarely visited a branch. But, in all likelihood, the explanation was that they were elderly or living on low incomes and, therefore, made little use of a branch.

Small businesses

Only a very small proportion of small businesses (4 per cent) cited not visiting a branch as the reason for not using the shared banking service. All of them had an easy journey to get to it and most needed to travel less than three miles. It was, however, much more frequently given as the reason by small and home-based businesses; hardly any larger businesses or ones run from non-residential premises said the same. The proportion of non-commercial organisations was about average.

The postal survey and depth interviews investigated why this small minority of businesses did not go to a branch and identified two main reasons: disenchantment with banking and reliance on others to visit the branch.

Two of the people interviewed in depth had become irritated by the decline in personal banking for small businesses and both had, therefore, set up alternative banking arrangements. Both worked from home; one as an electrician the other as a computer programmer. Neither had any employees. And both had stopped visiting a branch.

I don't go there... I mean the days are gone when you could go and see somebody at the branch... how it was a few years ago, you could actually phone the manager's secretary and if he was there he would speak to you. If not you could say 'Well, I'll arrange an appointment'... That person then gets to know your business better and is able to answer your questions. Now you get... a central person whoever, wherever they're placed at. They could be anywhere, I don't know where the calls go.

One of them had switched to using the Post Office agency instead. Although, strictly, this is not available to business customers other than those who have accounts with Alliance and Leicester, this woman was mainly paid by credit transfer and had switched to paying any cheques she received into her personal account instead.

I can just take an envelope in there and get a receipt for the envelope and it goes through the system. It takes probably a day or so longer than if I went to the bank, but quite frankly, we are never in that much of a panic to get those transactions through the system. I mean we use more on the private account than on the business account, because, as I said, the nature of our business is credit transfers... It is lovely to go in and be greeted by name and people know who you are... It is brilliant.

Two others, again home-based self-employed people, relied on someone else to undertake the small number of transactions that necessitated a branch visit. One relied on his wife to deposit cheques for him when she went shopping; the other had informal an arrangement with a business customer whose books he kept.

The place I do a lot of my book-keeping, they go to the bank quite regularly. It's quite a big company, they go into Barclays as well on a regular basis. So, if I do need anything, I put it in an envelope and they take it into the Barclays branch for me.

What typified all of these people was the relative simplicity of their banking needs compared with many other small businesses and this almost certainly contributed to their decision not to visit a branch

Factors related to the shared banking service

For most people, then, the decision not to use the shared banking service had nothing to do with the service itself. However, a minority of both small businesses (18 per cent) and personal customers (14 per cent) had been deterred by some aspect of the service (Table 5.1). These included: a lack of knowledge of the service; limitations on the transactions that could be undertaken and limitations of the branch. In addition, a small number of small business customers had faced problems registering.

These factors were far more important reasons for non-use by people who had short and easy journeys to the shared banking service than they were for those could not get to it so easily. This was most marked among personal customers. Two in ten (19 per cent) of non-users with a very easy journey to the shared banking service branch said they did not use it because of service-related factors, compared with just 3 per cent of those with a very difficult journey. Small businesses were twice as likely to give these reasons if their journey was very easy (29 per cent) than if it was very difficult (15 per cent).

Moreover most gave them as the only reason for not using the service. Indeed, the depth interviews suggested that, with the exception of those who were unaware of its availability, many had seriously considered it.

Lack of knowledge of the pilot

All customers eligible for the shared banking service were sent two letters telling them about it. The first was sent when the service began; the second thirteen weeks later. At some pilot sites this, and a poster in the window of the branch, was all the publicity the service had attracted. The greatest publicity was in Rural Village 3, where a visit by the local MP meant that they were 'on local TV and in the newspapers for about a week'. Others had had press coverage of MP visits but none on local radio or television.

As they were written to personally, it is surprising to find that one in twenty of both small businesses and personal customers said they were unaware of the shared banking service until they received the postal questionnaire. One small business customer vaguely remembered something but said he had thought it was 'junk mail' and thrown it away.

Limitations of the shared banking service

Altogether, 4 per cent of personal customers and 3 per cent of small businesses said that they had decided against using the shared banking service because it only offered a limited range of transactions, often with restrictions on their size.

Some of these people had actually tried to use the service.

I went in to pay quite a large [£10,000] cheque in and I wanted £100 out and they wouldn't accept the cheque and they wouldn't give me £100.

This man (a personal customer) could vaguely remember from the letter he had received from the bank that there might have been some restrictions but he could not remember what they were, and said that the branch staff had not been especially helpful in explaining them.

I tried to explain that I had a letter from my bank saying I could now use them and I wanted to pay a cheque in and draw £100 out and she just said 'Well I'm sorry but...' I think what she was wanting to do was for me to open an account there. I said. 'I'm sorry, I'm not doing that. I just want to use your facilities'.

Another personal customer tried to pay a credit card bill with a cheque drawn on his building society account. She remembered receiving details of the shared banking service but had not kept them.

I went in to see if I could pay it, you know, straight in through them. And the lady said it was not one of the transactions that they could do with this sort of joint banking system. So I was probably wrong there. But it was a bit of a sort of negative first try, if you know what I mean.

Some small businesses had ignored the detail of the letter, and had not used the new service because they assumed that there would be a charge for the service. A treasurer of a local association, however, had tried to use the service but had been told there would be a £5 charge – presumably he had tried to use it without registering first. Even so, this had apparently not been explained to him.

Finally a man manufacturing play equipment had also tried to use the service, thinking that he could get the full range of things available from his own branch. He, too, tried to deposit cheques, one of which was over the limit.

I thought you could use your account the same way as an ordinary NatWest account... It's probably convenient but limited. All I can do is deposit money. You can't do a variety of things.

He asked the branch staff how long it would take to clear the cheques if he paid them in and considered it would take too long.

The description of the service was misleading. There was no mention of the service being slower... there shouldn't be a delay in crediting my account.

Limitations of the pilot branches

The two main criticisms of the shared banking service pilot branches were the restricted opening hours and parking problems. On the whole, personal customers were more concerned about the opening times (3 per cent) than about parking (2 per cent); while small businesses were more critical of the lack of parking (5 per cent, compared with 2 per cent mentioning restricted opening).

Not surprisingly, the part-time branches attracted the greatest criticism of the opening hours. Personal customers in employment were most critical of the hours as they had hoped to be able to visit the branch at a weekend or after work.

Lack of parking, however, was a particular problem for small businesses (both retailers and some clubs) that regularly needed to deposit large amounts of cash. Concerned about security, they wanted to be able to park near the doors of the bank.

Small business registration

Only 4 per cent of small businesses commented on the registration procedure when asked why they had not used the shared banking service. A very small number (less than 1 per cent) had been deterred by the need to register; the remainder had encountered problems actually trying to do so. We interviewed two of these people in depth to gain a better understanding of the problems they faced.

A freelance computer consultant had filled in the forms to register twice as the shared banking service was only five minutes from his home, compared with an hour round trip to

the branch he was currently using. He had heard nothing on either occasion and was still waiting to receive confirmation that he could use the service.

If it had said that I could use it now, I'd have been there the next day.

The other person was a farmer who also ran an accountancy business. She had completed the forms to register and had phoned on four occasions to find out when she could start to use the service and been told that her application was being processed. In the course of these phone conversations she was told that an application to draw cash slowed things down – but as she did not want this facility she could not see why her application was taking so long. Again she would use the service as soon as she received confirmation as the trip to her own branch involved a 36 mile round trip.

Other factors

Beyond these main reasons there were a range of others, which were cited by only 1 or 2 per cent of the people interviewed. These included:

- No longer using the qualifying account;
- No longer living in the area (this applied especially to young people with a personal account registered at their parent's address);
- Already having an account with the bank offering the shared banking service, and
- Concerns about confidentiality among a handful of small business customers.

Why did some businesses register but not use the shared banking service?

Altogether, 14 per cent of eligible small businesses registered to use the shared banking service but only 11 per cent actually used it. Those completing the postal survey gave a range of reasons, the most common being limitations of the pilot service and seldom visiting the town or village offering the shared banking service. Five depth interviews explored this in more detail.

As already noted, two of these businesses were still waiting for confirmation that they could use the service. A third person, an arable farmer, had registered at the time of the postal survey but only started to use the service in the autumn, when he took on two casual workers and needed to collect cash for their wages. Prior to that he had not really needed the service.

The remaining two people had registered only to find that the service was not as convenient as they had expected. One was the treasurer of a club, who only lived one mile from the shared banking service branch. In the event, he found it just as easy to continue with his present arrangement of visiting the branch while on shopping trips with his wife. The other was a part-time receptionist at a GP surgery, who lived in the village with the shared banking service branch although the surgery was seven miles away. She had registered as the service exactly met her employer's needs and intended to visit the branch on her way home from work. However, the branch was only open from 10am until 3pm, which made it impossible for her to use it.

Views of the shared banking service

Despite the fact that they had not used it, most of the people we interviewed were very positive about the shared banking service and thought it was an excellent initiative.

Among the personal customers the general consensus was that it was a really good service – ideal for others but not really for them.

I think it's a really good idea... there are people in the village that don't have cars. They have to rely on a fairly hopeless bus service and, therefore, for them I think it's excellent. For me it isn't anything that's worth bothering with. That's just because I don't need it, but I think there are people who I'm sure do...

They thought it was especially useful in rural areas and for elderly and less mobile people. As importantly, they felt it would help to keep small bank branches open.

I think, actually, it's a very good idea. Because certainly... if it's going to be the difference between keeping a branch in small locations like this or not having a bank at all, it would certainly be handy.

I feel guilty [about not using it] as I do not want to see rural banks close for lack of support.

On the whole, the small businesses agreed with these points of view although, as we describe below, rather more thought that they might use the service personally if it were continued beyond the pilot.

Shared banking would be good for people who couldn't get out and about to elsewhere.

I should imagine for people who do have a lot of need for services across the counter, do need to visit a branch, it is probably a very good thing

We live in a village, the Post Office closes. Or the shops close. It doesn't affect me directly but for other people it's a problem. I can appreciate why they close – there's not enough business. If the banks are trying to cover that I think that it's an excellent idea.

Indeed two small businesses would have liked to see the service greatly extended, with the branch network virtually becoming a utility service.

It's a pity that all the banks don't get together, including the ex-building societies, and do a shared system with all of them. One decent branch in [Market Town 4] would be a God send.

... if you could use any branch of any bank in town, life would be relatively easy wouldn't it?

Likelihood of future use

In the postal survey a further 2 per cent of personal customers spontaneously indicated that they would use the shared banking service, even though they had not already done so. The depth interviews identified even more who thought that they might do so such. So a conservative estimate might put the increased use at about 4 per cent, bringing it to about 20 per cent overall.

These people included some who anticipated a change in their circumstance that would cause them to use the service. One woman was coming up to retirement and thought she might start to use the service when she stopped working. Another had suspended her account when she gave up work to have a family. Her children were now old enough for her to return to work

There's a very good chance that I shall be going back to work in the next few months, if I can find a job in this area. And that's obviously where the account will become more active and I'll find out exactly what service they offer.

The two personal customers who had both tried to use the service but had been thwarted by restrictions were both willing to have another try.

I'd use the service again as long as I was told, 'Well, look, this is what you have to do.' I'd definitely use it again.

And one of the people who had previously been unaware of the service became quite enthusiastic when he was interviewed.

To be honest with you, the [branch in Market Town 2] would be better for me. I don't have to pay for parking. I don't have to queue to get the car parked, things like that.

He had contemplated switching his account as parking near his own branch 'is a nightmare', but decided against it.

It would have been more beneficial for me to transfer to Barclays, but I've stayed loyal to NatWest... However, you can go and use a shared bank and you can stay loyal to your primary bank but it's a lot easier. And it will probably may well benefit NatWest in the long run. Or any other bank.

Among small businesses the latent interest in the shared banking service was even higher. Half of those we interviewed in depth said that they thought they might use the service if it continued. From this we would estimate that perhaps another 8 per cent of small businesses might become users, again bringing the total take-up close to 20 per cent.

As noted above, two small business customers had tried to register and were still waiting for confirmation and another had recently started to use the service. In addition, there were several others who thought that they should have registered. These included a man who was

the treasurer for the Parochial Church Council and was soon to retire from running his own business. As this would mean that he would be around during the day and he lived in the shared banking service town, he thought he would start using the service for the PCC.

It's certainly a very useful facility, I should have registered before now.

Another man was in semi-retirement but still worked in the family business. He, too, thought they should have registered as he could easily go to the branch during the hours it is open, saving other family members a 26 mile round trip.

Yes I think I should have registered and I think I should if it continued.

As with the personal customers there were also some small businesses who said that they had previously been unaware of the shared banking service but were interested when they found out about it. One of these, a treasurer of a local club, had already considered moving the club's account so that she could use the local bank.

When I took over being treasurer, I did actually think, well, I actually went in about changing the bank over from Lloyds TSB... but it was so much a faff to do it that I thought 'Oh God, I can't be doing with this' so I left it with Lloyds TSB.

The shared banking service offered all the services she needed without the perceived hassle of moving her account.

Summary

Most personal and small business customers had not used the shared banking service for one of two reasons. They either found it easier and more convenient to get to the bank branch they already used or they seldom visited the shared banking service village or town but regularly went to a nearby town for shopping, work or business. The first of these was mainly determined by convenience; the second was more a matter of preference.

A minority of both types of customer said that they had not switched to the shared banking service either because they valued the service they got from their existing branch or because of a more general contentment with their current banking arrangements. This last group included some people who had experienced a major change of some kind and could not face adding to the upset by altering their banking arrangements as well.

A small but significant proportion of personal customers said that they seldom or never visited a bank branch. Most of these were either elderly people who made little use of their account or younger people who used cash machines and telephone or internet banking. A much smaller proportion of small business customer said they never visited a branch. The depth interviews identified two reasons: reliance on others to do the banking for them and disenchantment with the loss of personal banking for small businesses.

So, the great majority of people had decided not to use the shared banking service for reasons that were quite unrelated to the service itself. But almost one in five small businesses and one in seven personal customers did cite aspects of the pilot service. These included: lack of

knowledge; limitations of the banking service offered; and limitations of the pilot branch (mostly restricted opening hours and lack of parking). In addition, a small number of small businesses had experienced problems registering to use the service.

Overall, 14 per cent of eligible businesses had registered to use the shared banking service but 3 per cent had not actually used it. Some had not found the service as convenient to use as they had expected; others were still waiting for confirmation that they could use it.

Most non-users were very positive about the shared banking service. Personal customers thought it was a very good idea, ideal for others but not for them, We estimate that about 4 per cent more personal customers might use the service if it were continued. Small businesses, too, were quite enthusiastic about the pilot service, and rather more of them thought that they ought to register and use it. So we estimate that take-up by small businesses might, in time, increase by a further 8 per cent. In both cases this would bring the overall level of take-up to around 20 per cent of eligible customers.

6. Conclusions

On the whole, take-up of the shared banking service has been lower than many people might have been expected. Customers attracted to the new service have made fairly modest use of it, visiting the branch relatively infrequently and making fairly small transactions. Overall the shared banking service attracted an additional nine visits a day at each branch – eight by personal customers and one by a small business. This represents about a 5 per cent increase in footfall. Use did, however, vary greatly between the ten pilot sites.

On the other hand, it has offered a really valuable service to the minority of people who chose to use it and take-up was high within a tight catchment area of the branches. In the more densely populated areas this translated into relatively high levels of use.

Users were very satisfied with the service and most non-users felt it was a very useful initiative even if it did not meet their own needs. There was also some evidence of latent need that could well materialise if the service were continued.

In this final chapter we draw some overall conclusions from the evaluation of the pilot both on the ingredients for a successful shared banking service and also on the viability of continuing and expanding it in the future.

Choice of branches

Taken as a whole, the research has identified some important considerations for the choice of branches for a shared banking service should the decision be taken to continue or extend it.

We noted at the beginning of this report the limitations of the pilot in terms of the locations selected. It is important to re-iterate that this was essentially a pilot of services in rural areas, although many of the lessons we can learn might well be applicable to suburban or inner city areas.

It is clear that, in rural areas a realistic catchment area for a service is a radius of about three miles:

- 66 per cent of personal users lived less than three miles from the shared banking service branch and take-up within a three mile radius was 42 per cent, compared with 9 per cent outside this area.
- 70 per cent of small business users were also within three miles. Take-up within a three mile radius was lower at 27 per cent but still a lot higher than the 5 per cent beyond this area.

This means that to attract a high level of take-up branches offering a shared banking service in a rural area will need to be at least seven or eight miles from the next nearest branch. In a suburban or inner city area this distance would be a lot shorter.

The pilot branches where take-up was highest were all ones with considerable distances to the nearest branch – in one case it was 20 miles; in another 14 miles. In contrast, take-up was

very low where there was a wide choice of other bank branches fairly nearby. Here take-up was very low.

Take-up is highest in a market town or large village that non-residents have a reason to visit. If it offers a range of shops and other services it will attract potential personal customers, offer work opportunities to the resident population and, as a consequence, local small businesses will be more viable too. In contrast, take-up will be low in communities (both rural and urban) where a large proportion of the resident population commutes to work elsewhere. In such areas there will be fewer potential personal customers needing a local banking facility and the viability, and hence numbers, of small businesses will be adversely affected too.

Finally, it is clear that shared banking services are far more viable if they are full-time and take-up would almost certainly be higher if they were open on Saturdays as well as weekdays. This would apply equally in rural and urban areas.

Taken together this would mean that, if it were decided to roll the service out to the other 40 rural branches that were candidates for the pilot, some of them might well need to be reconsidered as they would be less than seven miles from the next nearest branch. In fact, adopting this larger catchment area in rural areas would, however, limit the number of eligible rural sites to just 16 branches. At this level, continuation of the service would hardly be viable.

Moreover, it is not possible, on the basis of this evaluation, either to suggest a realistic catchment area for the selection of sites in suburban or inner city areas or to estimate how many branches might offer a shared banking service. A further pilot would, therefore, be required to ascertain whether extending the service into suburban or inner city areas would make a shared banking service more viable.

Publicity

Publicity is clearly important to the launch of any new service. Everyone eligible to use the service was written to twice and press releases were issued locally. However, none of the pilot sites was able to attract much coverage in their local press and media and certainly nothing like the level that national initiatives achieve in the national media. Only one pilot branch received coverage on local television and radio as well as local newspapers and this was, undoubtedly, one of the factors determining its success.

Customers were accustomed to receiving large numbers of promotional mail shots from financial service institutions and many had paid little heed to the letters they had been sent. Moreover, staff at several branches expressed doubts about how actively other banks were promoting the service to their customers.

This low level of publicity meant that there were both personal and small business customers who might have used the service had they known about it. If the shared banking service is continued or extended it would almost certainly benefit from greater publicity than the pilot received. It is, however, difficult to see how this can be achieved as, if it continues, the shared banking service would inevitably remain a predominantly local initiative at a small number of sites.

Service offered

On the whole, staff found the new service easy to implement, with the exception of some registration problems with small businesses. They did, however, find the paper-based record-keeping time-consuming and any extension beyond the ten pilot sites would almost certainly require automated systems.

Customers of the new service were generally very satisfied with it and, for the most part, the range of services seemed to meet their needs. There were, however, some additional services that many customers (and indeed non-users) would have liked. These included getting a statement of the balance in their account; being able to obtain cash on a debit card and foreign exchange facilities. More particularly, many users had not realised that they could only undertake a fairly limited range of services, even though they were in the leaflet on the service. Extending the service to include a wider range of facilities would probably not, however, increase take-up by much. For the most part people accepted the limitations, although they did deter a minority of non-users. Better publicity would have meant that early teething problems could have been avoided.

Without doubt the facility for depositing cheques was the one that was most heavily used. Cheque deposits accounted for half of all personal transactions through the shared banking service and six in ten small business ones. The £1,000 limit on cheque deposits by personal customers proved too low; the £10,000 limit for small businesses was much less of a problem.

Possible impact of withdrawing the service

So far we have discussed the main considerations should it be decided to continue the shared banking service in some way. The evaluation also offers insights into the possible impact of withdrawing it.

The first point to make is that very few people have used the pilot service - an estimated 5,500 personal customers and 325 small business ones in total – although these people would greatly miss the service if it were withdrawn.

Lloyds TSB and Barclays personal customers could, of course, to use the agency service offered at the Post Office. It was clear that the pilot had attracted a number of its users from people who had previously used the Post Office. Indeed, unpublished monitoring by the Post Office indicated a significant fall in the use of agency arrangements at Post Offices located close to a shared banking service branch. But the survey showed that the overlap in use was not great overall and the two services seemed largely to attract different people. The other option, of course, is that the ‘gentleman’s agreement’ not to poach customers could be ended and customers who want to continue to use the service could be offered the opportunity to switch their account to the local bank. Such evidence as we have from this pilot would suggest that few of them would choose to do so – mainly because of the perceived ‘hassle’ of switching that has been identified in earlier research (Banking Code Standards Board, 2001; Consumers Association, 2002; FDS International, 2000).

Secondly, small business customers could continue to use the branch that had offered shared banking service through the Inter-bank Agency Arrangement. If they did so, the charges they would incur would be about the same as reverting to their own branch. Indeed, the same would also apply to small businesses in other localities.

In other words, only a very small number of people would be unable to continue to access banking facilities in the pilot town or village.

In conclusion

Take-up of the shared banking service in rural areas has been modest and if continued and extended it would at most cover only about 50 rural towns and villages. Moreover, the needs of many of the eligible customers could be met in other ways – personal customers through Post Office bank agency agreements and small businesses through the existing Inter-bank Agency Agreement. So although it has run smoothly during the pilot and has, undoubtedly, been valued by the small number of customers it has attracted, it is difficult to see how its continuation could be justified by the banks.

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