# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE**  | **Community Banking** |
| **DATE**  | **13 November 2019** |
| **BY** | **Ken Skates AM, Minister for Economy & Transport** |

In his 2018 Labour Leadership Manifesto ‘21st Century Socialism’ the First Minister proposed the establishment of a new ‘Community Bank of Wales’, owned by its members, on a one-member-one-vote basis, to ensure banking services are available across the country, including rural areas.

Traditional banks are retreating from communities across Wales at an increasing rate, which is leaving a serious gap in services for localities, especially for small business needing short-term loans or overdrafts to help them survive and thrive, and citizens looking to access cash and banking services. The negative impact of the high street banks deserting our communities is being felt across the board but particularly in Rural Wales and by the most vulnerable groups in today’s society.

Action taken by the commercial banking sector is likely to exacerbate regional inequality and this Government is committed to ensuring that the public interest and wider society in Wales does not suffer consequently.

The National Assembly’s Economy, Infrastructure and Skills Committee has in the past week published its review ‘Access to Banking’ and the report captures many of the challenge facing banking in Wales and offers a wide range of persuasive recommendations which the Welsh Government will examine closely. The report is clear of the need for intervention, particularly as bank closures are likely to affect certain marginalised and financially disadvantaged groups disproportionally.

This Government has already provided significant support to ensure that both businesses and our citizens are able to continue to access banking services where they are lost within their communities through both Credit Unions and the Post Office network. Whilst these institutions provide much needed support they are of course limited in their ability to replace many of the services previously offered by the banks.

The Welsh Government is now actively supporting a partnership created between Banc Cambria and the Community Savings Bank Association (CSBA) to test the feasibility of establishing a community bank for Wales. The CSBA is a Co-operative Society registered with the Financial Conduct Authority (FCA) and was created with the sole purpose of establishing a network of approximately 19 independent, customer owned, profitable, regional banks across the UK through a ‘bank in a box’ model and to act as a focal point for cooperation. There are currently 11 CSBA potential banks at various stages of progress, including Banc Cambria.

To reduce the risk, cost and timescale of establishing the network of banks, the CSBA has financed and led the preparation of the constitutional documents, IT Systems, branch designs, business plan, payment system links, product specifications and banking license application documents needed.

The process of launching a new bank takes time and is complex in terms of satisfying the regulatory framework established through the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA). This process is likely to take around two years to complete but is broken down into a number of manageable phases and involves close liaison with many external stakeholders as well as the PRA.

Banc Cambria is currently engaged in the first phase of work which includes a detailed project plan, stakeholder engagement, initial market assessment and feasibility study with the assistance of both the Development Bank of Wales and Cardiff University. This will help determine the potential scale of the Welsh market and initial feasibility to acquire a customer base of sufficient size that would support the financial viability of the bank.

This initial work scheduled for completion by the end of 2019 and subject to satisfactory results and further due diligence will lead into a second, more comprehensive piece of market research that will include market and consumer testing. The outcome of this analysis will support the development of the bank’s business model and in particular the suite of products that it is likely to offer to its customers.

Completion of this work will lead to Banc Cambria progressing its application for Authorisation with the PRA and FCA, this is expected to occur during summer 2020. The CSBA will work with the Banc Cambria project team and Board in providing advice and guidance as it progresses towards applying to the PRA/FCA for its banking licence. The CSBA is already supporting three other regional community banks in England (London, South West and Avon) who are at a more advanced stage of development and this offers shared learning opportunities together with potential risk mitigation as Banc Cambria will be able to learn from any earlier hurdles faced by the others.

It is important to note that a banking license will only be granted once the regulators are fully satisfied that the business model is sound and that Banc Cambria has secured the necessary minimum funds required to capitalise the bank from a potential combination of private, public or institutional investors. Authorisation by PRA/ FCA is structured and the due diligence process is extremely tough but one which gives extra confidence to public bodies and others who are likely to back this bank financially. If secured, Banc Cambria anticipates a launch date between mid 2021 and early 2022.

I will continue to keep Assembly Members updated on progress.