



## **Submission to the Department of Finance on the retail banking review**

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Age Action is Ireland's leading advocacy organisation on ageing and older people. Age Action advocates for a society that enables all older people to participate and to live full, independent lives.

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**Rialtas na hÉireann**  
Government of Ireland



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**1 (a) Is the retail banking sector currently meeting the needs of consumers and SMEs?**

*Please explain the reasons for your answer*

No.

According to CSO statistics, a large proportion of older people are not using the Internet and a further proportion have "below basic" digital skills, meaning that they are neither confident nor safe using complex online transactions, including online financial transactions. The banking sector is pushing people to go online and is making digital technology all but mandatory, such as for two-factor authentication. Many older persons find this onerous or impossible to deal with.

The number of bank branches is dwindling, meaning that people have to travel longer distances to access over-the-counter services. Even when they travel, many branches have fewer staff and more machines (not just ATMs for cash withdrawals but machines for a range of other transactions). Many older persons find this off-putting or technically difficult to use. Many older persons have privacy concerns about both online banking and using machines, including feeling that their privacy is exposed while transacting with a machine.

Telephone numbers are often semi-automated, forcing people to speak to robotic voices before they can speak to a person, who in turn is often someone in a call centre lacking the requisite information to assist someone with a specific query. Many people report long waiting times for phone banking, especially for any non-routine query. The shift to technology does not adequately take account of accessibility concerns (e.g. as accessibility is defined as part of Universal Design standards, see the NDA website for details). In sum, many older persons have serious concerns about disabling barriers erected that affect their ability to access banking services.

**1 (b) What changes do you expect to see in the retail banking sector in the coming 10 years?**

Fewer branches. Even more automation. Near-total assumption of smartphone ownership and use.

**1 (c) Please compare the type of sector resulting from the changes in Question 1(b) to the type of sector you believe needs to exist to be fit-for-purpose, treat consumers and SMEs fairly, and serves the needs of society and the economy.**

For at least the next 20 years, there will be a substantial cohort of people who are digitally excluded, and who will need offline services. There needs to be national law

or policy setting out a minimum level of availability of in-person banking services based on population, in every region of the country. Ideally, this should be sufficient to retain competition so that people can choose from at least two options for their banking. Included would be banks, credit unions and post offices. There needs to be quality standards set for the availability and quality of in-person services, as well as for the quality of telephone and online banking in terms of accessibility, ease of use, use of plain English, etc.

**2. Given the extent to which banks are implementing material changes to their operating models and service delivery, in your opinion, have these changes been implemented with a satisfactory customer-focus?**

*Please explain the reasons for your answer*

No.

While banks consult and do create services to address the needs of specific groups (such as their "vulnerable customers" helplines), their overall operating models are driven by cost imperatives and are insufficiently constrained by public service obligations or minimum standards, which should exist for banking as a licensed activity.

***If you have answered "no", please outline the measures that could be taken by the firms in the retail banking sector, Government, regulators or other relevant stakeholders to address the issues you identified.***

There is a need for strong regulation from the Central Bank and/or Government, to ensure that the costs of implementing minimum standards for accessible local banking are shared among financial institutions. Collaborative actions - such as different banks sharing a premises on different days - are also a ways of ensuring that competition is maintained and people can continue to access banking in their local area, albeit on a part-time basis.

**Following the departure of Ulster Bank and KBC, do you consider that the level of competition in the retail banking sector will be appropriate and sustainable, bearing in mind population and market size in Ireland?**

*Please provide reasons for your answer.*

No.

For many towns and rural town lands, and even in large suburban areas, many people only have one bank branch within easy reach. For those who value access to a physical branch, which is clearly the case for many older persons, there is no market competition and therefore less pressure on banks to develop financial products and services attractive to older persons. In some cases, there appears to be a lack of awareness of the banking services now available from credit unions and post offices, which means that people do not include these options when they "shop

around". For the many older persons on low incomes, recurring charges and fees are a concern that often pushes people towards the bank that does not levy charges, which also reduces their access to competition that might exist in other dimensions of a bank's offerings.

**In your opinion, are there actual or potential barriers to entry that are resulting in less competition both in terms of product availability and product price?**

*Please provide reasons for your answer*

Yes.

The growth in digital and non-banks are crowding out the potential for branch-based banks to be viable.

**In your opinion, have the actions taken by the banks to mitigate the impact of branch closures on delivery of services to consumers and SMEs been satisfactory?**

*Please provide reasons for your answer*

No.

As noted earlier, many older persons are digitally excluded. While some older persons have acquired the skills to go online, many have not and there are barriers (including cost and disability) that prevent some older persons from going online.

The push towards machines in branches, robotic telephone services and online banking is wholly unsatisfactory for many older persons, leading to disabling dependency relationships being established, greater risk of financial abuse, some people holding larger amounts of cash in their homes, and other negative outcomes. Ironically and worryingly, digital mechanisms like two-factor authentication that are meant to reduce the risk of fraud can actually raise the risk of financial abuse, as some older persons have to rely on others to conduct online transactions for them. And many older persons do not have children, or do not have children living near them, which can mean reliance on wider networks for online transactions, which is unacceptable for many older persons.

As noted earlier, the Government and/or Central Bank should impose strict requirements to deliver branch banking for at least the next 20 years, as a non-negotiable requirement to obtain or keep a banking licence.

**Do you consider that it would be an acceptable trade-off to see more cost reductions at banks if these cost reductions increased the capacity of banks to lower the interest rate they currently charge to consumers and SMEs?**

*Please explain the reasons for your answer*

No.

Many older persons need basic banking as a type of utility, so they can manage weekly income and outgoings, direct debits, bill payments (including in-branch bills payments), etc. Many people want this as a branch service, and interest rates charged to consumers is irrelevant as few older persons are borrowing large sums. Even when older persons want to borrow money they are often refused credit as banks only lend on a person's ability to repay from their income not the value of their assets.

**Noting the concerns being raised that access to cash and cash services are generally reducing, should Government or other relevant stakeholders introduce policy or other measures to protect access to cash?**

*Please explain the reasons for your answer*

Yes.

Many people have literacy and numeracy difficulties, and this is concentrated among older persons of whom one third left school after primary and another 30 percent after mid-secondary, as free secondary education did not exist in their childhood. As NALA and MABS will attest, many people manage their weekly income through cash, putting aside sums of money so that they can cover bills and other essentials, and so they know exactly how much they can spend on other things during the week. A significant number of people would get into difficulty if they could not manage their affairs through cash.

Many older persons are upset by decisions by sporting organisations, travel companies and other services to force them online, which often creates dependency relationships that are shown to damage people's self-worth, mental health and wellbeing. As shops and services go "cashless" they are creating a systemic social exclusion of people who are not comfortable with digital or card payments. This is damaging to social cohesion, and it particularly affects older persons, people with disabilities, some migrant workers and other disadvantaged groups such as Travellers.

**Given the extent to which the ATM network is now primarily owned by unregulated entities, should Government legislate for the regulation of these providers?**

*Please explain the reasons for your answer*

Yes.

Many older persons are unaware that private ATMs now charge them for services that were previously included in their overall banking charges. People on lower incomes end up paying more through these machines in two ways: firstly, they tend to make more frequent withdrawals of small amounts, incurring a charge every time, and secondly the flat fees involved are a higher proportion of low incomes. The Government should strictly regulate private ATMs, requiring plain English notification of any charges to be clearly visible before a person makes a transaction. As part of a national requirement to provide bank branches, the Government should also require all licensed banks to provide ATMs without extra charges to users.

**Number and type of mortgage provider? The mortgage product range?**

*Please explain the reasons for your answer*

No.

Many mortgage products have a cut off at age 70, by which age they must be repaid. As most mortgages have a minimum term of 5 years, this means that a person aged 66 or older cannot get mortgage finance. A person could be working on a high income and yet face age discrimination in accessing mortgage finance. This is a fundamental barrier to some people "right sizing" their home, in line with Government policy to encourage this. Suitable products are needed for those who choose to sell their home for a more manageable or better insulated dwelling. Equity release type loans are not a substitute for properly regulated mortgage finance, and are often exploitative.

**In your opinion, are there measures that could be taken by the firms in the retail banking sector, Government, regulators or other relevant stakeholders to increase the level of switching?**

*Please explain the reasons for your answer.*

Yes.

Mortgage switching is onerous and highly complex, with various extra costs (like solicitor's fees) and a need to have a high level of financial literacy and/or the assistance of a broker. Many older persons have relatively small mortgages and little incentive to switch. Despite home ownership and a mortgage, many older persons have a low level of cash savings and are unlikely to be willing to incur fees to switch their mortgage. Many older persons lack the necessary financial literacy to switch mortgage without assistance.

**a) a) Is there adequate access to and availability of credit from the retail banking sector (including appropriate product choice) to meet the needs of consumers?**

**b) what are the main risks to consumers in the area of consumer credit?**

*For both (a) and (b) above, please explain the reasons for your answer.*

No.

Many older persons are on fixed and/or declining incomes from pensions or retirement savings. Many are on low incomes (e.g. half of older people living alone have incomes in the bottom 20%). Most older persons are unable to engage in economic activity to raise their incomes, and are therefore a higher risk from any over-indebtedness or sudden spikes in interest rates on loans. Over time, some older persons have been drawn into exploitative "equity release" type loans that often have punitive terms and conditions; including acting as a barrier to some older persons using their home to access the HSE Nursing Home Support Scheme (Fair Deal). There is a lack of loan products to assist people to sell their homes to "right size" into a more manageable dwellings, except for bridging loans that are not universally available.

**Number and type of providers? Product range?**

*Please provide reasons for your answers.*

No.

Many older persons want to transact over the counter, and the lack of access to branches means that there is inadequate access to a range of savings options. That said, most older persons have low levels of savings. For older persons with high levels of savings, many are concerned with the rate of return they can attain from their savings, especially if that income stream was planned as an important part of their retirement income. High inflation is a major concern for older persons, not least because of how it erodes the value of their savings (and interest rates for savings rarely match the loss of purchasing power).

**Number and type of providers? Product range and features?**

*Please provide reasons for your answers.*

Yes / No.

For day-to-day banking, older persons can use banks, credit unions or the post office. However, there is a lack of awareness about the range of products available from the latter two. For example, many see the credit unions as providing savings accounts not current accounts. An important barrier to using the post office is that there are recurring charges whereas some banks offer charge-free banking for older persons.

**In your opinion, are there measures that could be taken by the firms in the retail banking sector, Government, regulators or other relevant stakeholders to increase the level of switching?**

*Please explain the reasons for your answer.*

Yes

For those older persons who want a counter-based service, greater knowledge of the full range of banking options available from post offices and credit unions might encourage switching. Transparency about fees/charges is important and people on low/fixed incomes are very sensitive to fees. Certainty about potential fees and charges over time is also important. Older persons are often attracted to current accounts that are free from fees. Obviously, when there are no alternative bank branches in a town or region, people's ability to switch is constrained.

**In your opinion, are there cost challenges that are specific to Ireland that impact on the provision of retail banking services to Irish consumers and SMEs?**

*Please explain the reasons for your answer.*

Yes.

Many other European countries have lower levels of digital literacy and a higher proportion of older persons than Ireland, and experience similar issues to those outlined here. The same desire for in-branch banking exists elsewhere. It should be noted that lack of digital literacy is much higher among older person in Ireland compared to the UK and other Western European countries, possibly linked to the much later development of free secondary education in Ireland.

**Question 17**

*Please explain the reasons for your answer.*

Yes.

The Courts have, rightly, been very reluctant to allow a homeowner to become homeless due to inability to repay a loan. It is right that the Courts continue to protect people, not least families with children, and older persons, from repossession. Banks should continue to carry risk for lending decisions, while also retaining the option to recover debts through mediation processes that could extent to recovering debt from a person's estate.

**In your opinion, should the Government retain, amend or remove the Irish restrictions that currently only apply to the three banks that were recapitalised by the State following the GFC?**

*Please explain the reasons for your answer.*

Surveys show continuing low levels of trust in banking and financial institutions, as a result of the 2008 crash and also subsequent scandals involving tracker mortgages. This justifies retaining the cap on senior pay and also justified retaining the 89% tax on incentive payments over €20,000. Given the need to attract workers to the sector, including to work in rural branches, it could be reasonable to re-examine the prohibition on variable pay below €20,000 for ordinary employees.

**In your opinion, is the retail banking sector providing consumers and SMEs with appropriate support and funding to transition to carbon neutral?**

*Please explain the reasons for your answer.*

No.

Surveys show that most older persons are concerned about climate change issues and support action. Strong regulation should be implemented that removes all investment in fossil fuel extraction (including gas) by any deposits or investment funds, including pensions, in banks and financial institutions. Any decision to allow their money to be invested in fossil fuels should be strictly on an opt-in basis. All pension products should have ethical options and should systematically exclude fossil fuel investments except on an opt-in basis.

**In addition to the matters covered in this public consultation, are there other issues relevant to the Terms of Reference, which you wish to bring to the attention of the Department?**

*If you have answered “yes”, please provide a brief summary of those issues, providing any information or references to material that you consider relevant to the Terms of Reference and the Department’s work.*

Yes.

Please see Age Action's report on digital exclusion for more detail on how this affects older persons:

[https://www.ageaction.ie/sites/default/files/digital\\_inclusion\\_and\\_an\\_ageing\\_population.pdf](https://www.ageaction.ie/sites/default/files/digital_inclusion_and_an_ageing_population.pdf)

Age Action also has a forthcoming publication (September 2022) on the state of ageing in Ireland, which includes the incomes, savings and other relevant information about the one million people aged 60 or older. Reference should be made to this publication if possible, and to similar information about the older population available from the CSO, TILDA and other sources, including Age Action's website ([www.ageaction.ie](http://www.ageaction.ie)).

See also <https://www.ageaction.ie/news/2022/04/27/older-people-need-inclusive-financial-services>

The April 2022 Consumer Banking Survey commissioned by the Department of Finance has very clear findings that show that older persons have different expectations of banking than people from younger age cohorts. This situation is likely to persist for 20 years as part of Ireland's demographic transition (which also includes a socio-economic transition towards a more highly educated population with digital skills). Changes to banking must be in line with the profile of society and must not socially exclude people who never had the opportunity to develop digital skills and who are being disempowered by being forced into dependency relationships to use online banking.