

## **NPA Banking Survey-Summer 2019**

### **Summary**

The National Pawnbrokers Association (NPA) has carried out research on its members to ascertain the extent of the banking crisis for pawnbrokers. The Association has also compared this with the situation in their previous survey in October 2015. According to Government research there are currently 1.3 million unbanked working adults, and the Treasury Select Committee (May 2019) have stated that the *“financial inclusion of vulnerable consumers – and we can all be vulnerable at some point in our lives – should be of the utmost priority”*. Pawnbrokers and those undertaking money service businesses continue to support those people who could potentially become financially vulnerable, by helping them with short-term finance to smooth cashflow, where other lenders have failed to help them. The concern must always be that potentially vulnerable customers without access to regulated credit services, will find their only option to be the hands of the illegal money lenders - the loan sharks. The NPA wishes to ensure that its members can operate to provide much needed, safe, secure and affordable short-term loans for individuals and families that benefit from our vital regulated lending source."

Unfortunately, pawnbrokers continue to be under attack themselves from banks closing NPA members accounts. In that regard NPA are pleased to see that Kevin Hollinrake MP, Chair of the APPG for Fair Business banking has confirmed the group has accepted its place on UK Finance's Dispute Resolution Service (DRS) Implementation Steering Group (ISG)

Banks continue to cause significant harm to the industry for pawnbrokers and in particular to members undertaking money service business (MSBs). In a period of less than four years more than half of NPA members' accounts have closed. In nearly all cases bank action has been against MSB pawnbrokers (97%). On separate occasions, different banks appear to have 'purged' NPA's MSB members. Prior to 2015 HSBC and Lloyds seem to have carried out large scale de-risking programmes targeting the industry. From 2015 onwards Barclays, the largest player, closed 65% of accounts. Currently the most aggressive bank is Nat West who put 8 members at risk of account closure during 2018. This included most of the MSB pawnbroker accounts and some of the other pawnbrokers' accounts. The challenger banks have failed to rise to the challenge of supporting pawnbroker MSBs with no increase in the number of MSB accounts opened. Nearly 75% of members now have only one account and are therefore more vulnerable, compared to just 25% in 2015.

### **Background**

Members of the NPA were asked a number of questions regarding their bank account arrangements (see Appendix 1);

- What money services do you provide apart from pawnbroking?
- Are you registered as an MSB with HMRC?
- Which bank has your main account?
- What services is the account used for?
- Do you have any other accounts open?
- Have you ever had an account closed?
- Have you ever had an account threatened with closure but not ultimately closed?

Similar questions were asked in October 2015 and this represents a useful comparator. We had data response from 72% of members compared to 77% in 2015.

### **Current Accounts**

The table shows main and secondary accounts of current members;

#### **Bank's Market Share for All Respondents**

	<b>Primary Current a/c</b>		<b>Secondary Accounts</b>		<b>All Accounts</b>	
Barclays	30 Accounts	31.3%	7 Accounts	25%	37 Accounts	29.8%
Nat West/RBS	20 Accounts	20.8%	2 Accounts	7.1%	22 Accounts	17.7%
HSBC	13 Accounts	13.5%	2 Accounts	7.1%	15 Accounts	12.1%
Lloyds/B of S	13 Accounts	13.5%	4 Accounts	14.3%	17 Accounts	13.7%
Santander	6 Accounts	6.3%	1 Account	3.6%	7 Accounts	5.6%
All Other	14 Accounts	14.6%	12 Accounts	42.9%	26 Accounts	21.1%
<b>TOTAL</b>	<b>96 Accounts</b>	<b>100%</b>	<b>28 Accounts</b>	<b>100%</b>	<b>124 Accounts</b>	<b>100%</b>

Under 'All Other' Primary accounts, those mentioned were TSB, Yorkshire, Allied Irish, Arbutnot, BFC, Cashplus, Tide, Handlesbanken, Ulster and Metro.

Under 'All other' Secondary accounts, those mentioned were Coutts, Clearbank, Cashplus, Metro, Yorkshire and Spar Nord Netbank (DK)

Members accounts compare as follows;

#### **Bank's Market Share for All Respondents 2019 v 2015**

	<b>All Accounts 2019</b>	<b>All Accounts 2015</b>
Barclays	37 Accounts 29.8%	104 Accounts 40.3%
Nat West/RBS	22 Accounts 17.7%	25 Accounts 9.7%
HSBC	15 Accounts 12.1%	13 Accounts 5%
Lloyds/B of S	17 Accounts 13.7%	86 Accounts 33.3%
Santander	7 Accounts 5.6%	7 Accounts 1.6%
All Other	26 Accounts 21.1%	26 Accounts 10.1%
<b>TOTAL</b>	<b>124 Accounts 100%</b>	<b>258 Accounts 100%</b>

The total number of NPA members accounts is now less than half the number of accounts four years ago (46%). The number of accounts per pawnbroker has halved in 4 years, the average pawnbroker now has 1.3 accounts compared to 2.6 in the previous survey.

### **Those with only one account are vulnerable**

74% of members only have one account, making them vulnerable to de-risking, especially if they are MSBs as well. In the previous survey 91% members had only one account, and it is many of those who left the industry that account for the difference.

## **MSB Activity**

In 2019 only 28% of pawnbrokers were also MSBs whereas in 2015 over 41% were registered as MSBs. Much of the difference is a larger pawnbroker with a large number of accounts no longer undertaking MSB activity, but also some members have been forced to drop MSB activities to keep their accounts or have left the industry. This is especially true for Barclays and Lloyds accounts.

### **Market Share for Respondent MSB Members main accounts**

	<b>2019</b>		<b>2015</b>	
Barclays	7 Accounts	25.9%	69 Accounts	42.9%
Nat West/RBS	6 Accounts	22.2%	7 Accounts	4.3%
Lloyds	4 Accounts	14.8%	74 Accounts	45.9%
HSBC	2 Accounts	13.5%	3 Accounts	1.8%
All Other	8 Accounts	29.6%	8 Accounts	5.1%
<b>TOTAL</b>	<b>27 Accounts</b>	<b>100%</b>	<b>161 Accounts</b>	<b>100%</b>

The figures show significant de-risking activity and account closures by Barclays and Lloyds over the 4-year period. Challenger banks have not increased support for MSB pawnbrokers since the number of challenger accounts has remained static.

The figures suggest that in total, amongst those surveyed, over the four years Barclays closed 67 accounts but 62 of these were MSBs, showing a clear bias against MSBs. The vast majority of Lloyds closures appear to be for MSBs. Most of Nat West closures appear to be MSBs. It is likely that all banks have targeted MSBs and probably through the HMRC register.

MSB activities undertaken were as follows;

	<b>Member activity</b>	
FX	20	74%
Cheque Cashing	14	52%
Money Transfer	11	41%

Nearly three quarters of all MSB members undertook FX.

## **Account Closures**

3 members had suffered two accounts with different banks being closed and 1 member had three accounts closed.

### **Market Share of Bank Account closures-All respondents**

	<b>2019</b>	<b>2015</b>
Nat West/RBS	32.1%	20.9%
Lloyds	17.9%	23.1%
HSBC	17.9%	7.7%
Barclays	7.1%	33.0%
All Other	25.0%	15.3%

Between 2015 and 2019, over 100 accounts were closed, but some members may have left the market for other reasons. By 2019 for current NPA members in the survey, 29 accounts had been closed as a result of de-risking. Nat West/RBS are the bank closing the highest number of accounts amongst these NPA members, their ‘purge’ started in early 2018 onwards. Barclays closed the largest number of accounts up to 2015 reducing their survey customers from 69 to 7. The challenger banks including Santander and TSB have not been the ‘saviours’ as they too have also closed accounts. Notice period given varied.

**Notice period and reasons given**

	<b>2018-19</b>	<b>Reasons given</b>
Nat West/RBS	2 months, occasionally 3	Economic profit 2 Refused to discuss 6 Don’t like the sector 1
Lloyds	1 month	Refused to discuss 5
HSBC	2 months	Not interested in MSBs 2 Refused to discuss 3
Barclays	3 months	Refused to discuss 2
All Other	Between 1 and 3 months	Don’t like sector 2 Refused to discuss 5

In all cases above, no bank was prepared to engage in detailed discussion, highlight areas of concern and support the business in maintaining the account. However, some did allow accounts to stay open when all MSB activity for which the member was a principal, or all MSB income serviced through the account, was terminated. Only one of the 27 accounts closed was a pure pawnbroker, the other 26 (97%) were all MSBs at the time of closure, making it very clear that MSB activity is the trigger for closure. Nat West for example have said to some members affected that Nat West went by the HMRC MSB register to identify them.

**Accounts Saved**

Only 7 accounts have been allowed to stay open, in every case this was due to specific action by the pawnbroker;

- 1 case- Threat of legal action commencing
- 2 cases- engagement of local MP and media and threat from the public of boycotting banks.
- 4 cases- ensuring only pawnbroking activity and general business goes through the account.

NPA was involved in all but one of the above and engaged with the bank, FCA and other stakeholders.

**Members’ Comments**

“We complied with their demands that we cease all MSB activity via their accounts. However, money transfer was not an issue [ because funds didn’t go through the bank account], very much appreciated NPA support through this”.

“Very concerning issue and keep our heads down as we could end up being part of the whims of the banks and to find a second account provider would be impossible”

“We tried to raise more money to fund an increase in our pledge book but were told the money would not be available and warned that any requests for loans would result in a review of our entire account [Barclays].”

“Applied for Metro Bank in July 2018 and it is still being processed [ 9 months later-still no decision] ...”

“We have had several meetings with our account manager at Santander to discuss obtaining credit over the past 5 years and have been refused every time, irrespective of profitability & cashflow forecasts. There is no doubt this is an industry related decision”

“Huge amount of pressure from the local MP, NPA, head offices, initially they were going to close our [Nat West] accounts because we did not want to drop the cheque cashing. After some serious work on our part and the NPA's help we were allowed to keep the accounts if cheque cashing was stopped. This has now been endorsed by Nat West”

“We tried to approach our bank for a business improvement loan to fund a mortgage and expansion, but they wouldn't help because of us being a PB. We also tried to change banks because of Lloyds bad customer service but could not find a bank that would accept a PB. We are now scared to complain in case they close down our account.”

#### **RK Perry NPA June 2019**

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