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Big UK banks mull deal for shared branches while regulators concerned about closures look on

Article

The news: Several of the UK's major banks are in talks to set up a network of shared branches in underserved communities, per This is Money. The banks are aiming for **a five-year deal** to back the hubs, but are still trying to hammer out each bank's contribution to the initiative. So far, the agreement calls for **200 hubs** with a **cost of £100 million** ($128.2 million), but both figures could rise.

More on this: The initiative follows years of branch shutterings across the UK—banks closed **nearly half of their locations** from 2000 to 2019, AltFi reported, and the trend has been accelerating as incumbents increase their focus on digital channels. **About 500 towns have only one branch left**. However, the hub initiative could lead to a new wave of branch closures, This is Money reported, with a **high-end estimate of 2,147 impacted locations**.

That high-end figure assumes that big banks—**NatWest**, **Lloyds**, **Barclays**, and **Santander**—would aim to **cut their footprints to about 400 each**. To be chosen as a shared branch site, potential hub locations would need to have a sufficient population. Sparsely populated places may need to rely on post offices for banking services.

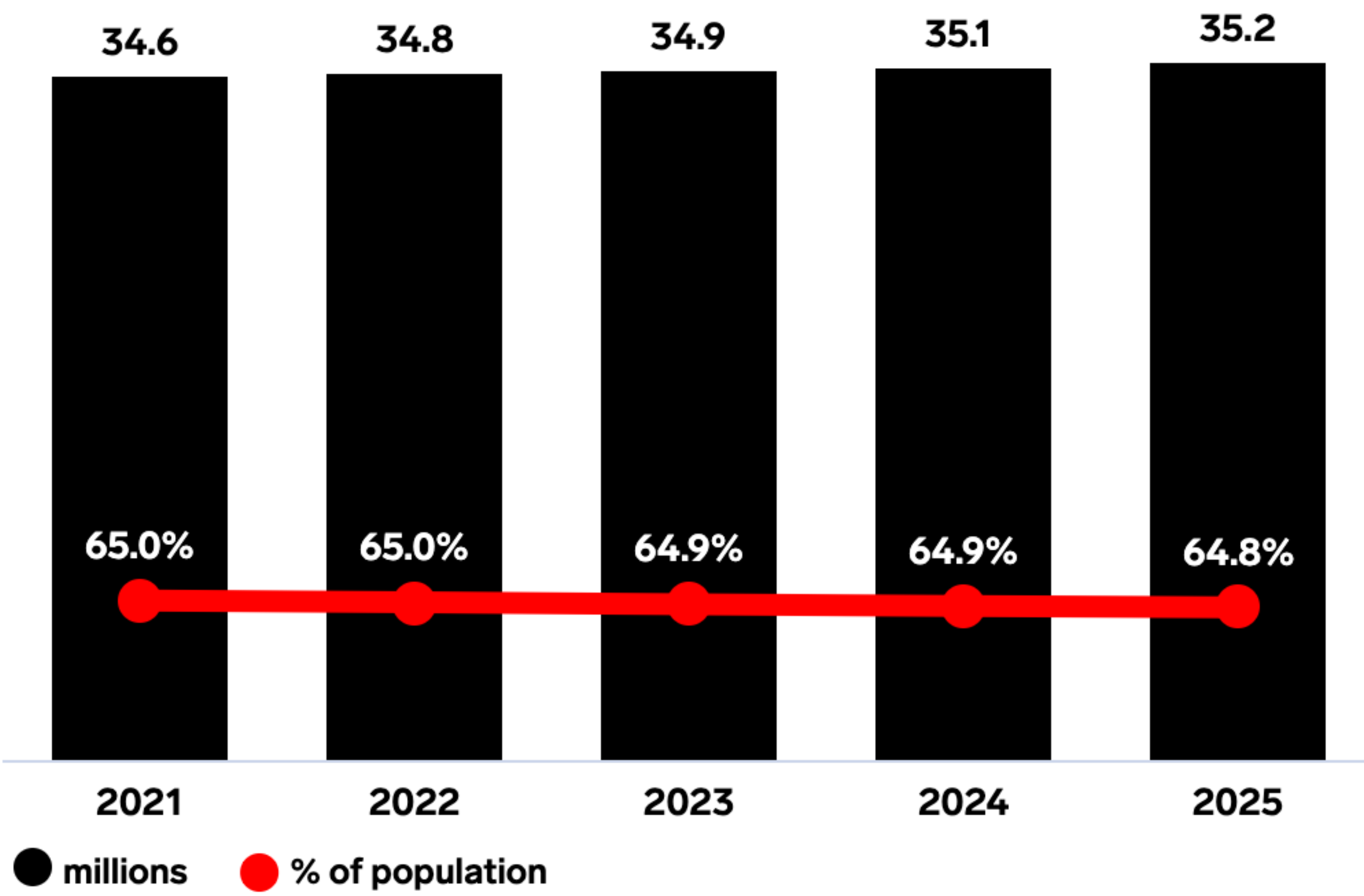
The banks' proposal comes as the UK's **Financial Conduct Authority (FCA)** weighs whether to adopt rules that would give it the ability to limit branch closures. However, the FCA is also pushing the banks to agree to a shared-branch arrangement by Christmas, with government action to curb closures looming, This is Money reported.

The big takeaway: A shared-branch approach may help UK banks address the continued demand for in-person services and cash access, even in a digital era. The number of UK digital account users is projected to rise moderately, per Insider Intelligence, from **39.1 million users 18 and over** in 2021 to **41.6 million** in 2025. Meanwhile, in-branch users are also expected to rise over the same period, from **34.6 million** to **35.2 million**.

If hub openings are paired with branch closures **about 10 times greater,** the steep net reduction in footprints could still draw regulatory ire. Concerns over regulatory scrutiny could prompt the banks to limit their footprint reductions. An aggressive contraction could backfire on incumbents by reducing their differentiation from branchless challengers and increasing the odds that some customers switch to neobanks like **Revolut**, **Starling**, or **Monzo.**

In Branch Banking Users and Penetration

UK, 2021-2025



Source: eMarketer, March 2021

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