



APPG on Challenger Banks and Building Societies

Call for Evidence

All Party Parliamentary Group on Challenger Banks and Building Societies Inquiry into Levelling-up.

Introduction

The overarching issues that the APPG is seeking to understand are as follows:

- What role can Challenger institutions – both banks and building societies - play in levelling up?
- How can the role of Challenger institutions of all types be enhanced in supporting the sustained growth of communities across the UK?
- What issues in relation to access to financial services do individuals and SMEs experience outside London and the UK's largest metropolitan centres? How do these differ from those in London, and other major UK metropolises?
- What role do Fintech challengers have in the levelling up agenda?
- How important are community banks, Building Societies and Credit Unions to the financial wellbeing of individuals and SMEs outside London and the UK's metropolitan centres? How could their role be enhanced?
- Is the current regulatory framework fit for purpose when it comes to launching and growing regionally- and community-focused institutions?; and,
- Are there lessons which can be learnt from other areas of economic activity of how matters could be improved?

The APPG is keen to take evidence on the underlying causes of these headline topics. Therefore, we will be seeking evidence in the following areas:

What role can Challenger institutions – both banks and building societies - play in levelling up? How can the role of Challenger institutions of all types be enhanced in supporting the sustained growth of communities across the UK?

- What does levelling up look like? What are the issues which need to be addressed?
- What are the key financial issues holding back levelling-up, or that must be overcome, and what role can challenger banks, building societies and fintechs play in addressing them?
- What are the shortcomings of the big 5 banks in providing financial support for levelling-up in all areas of the UK? Is this an opportunity for challengers and if so, how can they step up?
- What are the aspects of the approach or business models of challenger institutions that suggest they can play a significant role in driving levelling-up?
- How does this differ from the big 5 banks?
- What are the recent trends in retail financial services that are relevant to the levelling-up agenda, what are the threats and opportunities for challenger institutions?
- Is there a greater role for challengers, including building societies and credit unions, in providing access to banking and other financial services through branches?



What issues in relation to access to financial services do individuals and SMEs experience outside London and the UK's metropolitan centres? How do these differ from those in London, and other major UK metropolises?

- Is there evidence that access to finance is easier in London and the South East compared to elsewhere in the UK and what are examples of this?
- Is levelling up primarily aimed at SME lending or are there consumer implications in terms of access to finance?
- Why are there so many credit unions in some parts of the UK, such as Scotland and Northern Ireland, compared to England?
- Do the US's regional banks offer better finance for regionally based US firms than UK equivalents?
- Are firms that offer banking which better mirrors the digital consumer and business activity patterns making a breakthrough?

What role do Fintechs have in the levelling up agenda?

- Can Fintechs help individuals and business where non-fintech banking has not done so? In which areas specifically?
- Are there examples of Fintech initiatives which are reaching unbanked or under-banked and poorly serviced groups of consumers?
- Are there regulatory changes which could allow Fintech or digitally focussed firms to take a more proactive role on financial advice and financial education?

How important are community banks, Building Societies and Credit Unions to the financial wellbeing of individuals and SMEs outside London and the UK's metropolitan centres? How could their role be enhanced?

- What role do community-focussed banks play in supporting the financial wellbeing of communities? Are there examples, and how could this be enhanced?
- Are there examples of clusters of building societies where banks lack coverage? Could this be replicated?
- What are the distributions of institutions nationally and how do they relate to each other?
- Why are credit unions so concentrated in some parts of the country but absent elsewhere?
- What services can BS and CU's offer that the big high street banks cannot?

Is the current regulatory framework fit for purpose when it comes to launching and growing regionally- and community- focused institutions? What changes are needed? Is this holding back communities?

- Are there examples of regulatory failure or blockers?
- Why does the UK have so few regional banks compared to other comparable economies?
- Are there continuing issues with authorisation of institutions or are constraints on growth and scaling up the main concern?



- Are there examples of finance “deserts” where it is impossible to access the types and levels of funding firms in e.g. London would be able to access?
- Is there a role for innovative fintech finance for regional or remote working firms?

How do the rules and regulations on financial institutions compare to other areas of economic activity?

- How do the rules on setting up a banking business compare to establishing other types of business in highly regulated areas?
- Are there examples from other industries which could benefit financial services regulators or providers?

Timelines

Time and venue of round table discussion event
10:00 – 11:30 Tuesday 12th July 2022, House of Commons

Written evidence timelines

To be considered, written evidence will need to be received by Secretariat by 5pm on 17th June 2022

Publication

Report to be published 26th July 2022

Format of submissions

The APPG welcomes written submissions. These should ideally be in Microsoft Word format and less than 2MB in size.

Otherwise, they should be in accordance with the guidelines issued by select committees which can be viewed here: <https://www.parliament.uk/get-involved/have-your-say/take-part-in-committee-inquiries/commons-witness-guide/>

APPG Secretariat
19th May 2022