

Charity banking challenges

Briefing no. 1

June 2022

Produced by the Civil Society Group

Oliver Chan, NCVO

Noama Chaudhry, NCVO

Jill Hopkinson, NAVCA

Jeremy Leggett, ACRE

Ben Lloyd, WCVA

Sam Mercadante, NCVO

Clare Mills, CFG

Introduction

Banking is a fundamental requirement for the voluntary sector. Charities and other voluntary organisations must have access to banking services to appropriately manage their finances, which allows them to provide vital services to their communities. However, over the past few years we have heard from a growing number of charities that are struggling to find banking services that meet their needs.

To understand the scale and breadth of this issue, the Civil Society Group ran a survey from 31 March to 6 May 2022.¹ We were overwhelmed with responses: a total of 1,262 voluntary organisations were keen to share the banking challenges they have faced over the past eighteen months.

Almost two in three responding organisations were charities (65%), with the remaining 35% mainly made up of community interest companies, trusts, and unincorporated groups. Micro organisations (with an annual income of less than £10,000) were strongly overrepresented (70% of respondents) compared to the wider voluntary sector (44%).² Almost half of responding organisations (48%) were based in rural locations or small towns, with 22% located in suburban areas and 30% in urban locations. Respondents based in the Midlands and south-east were overrepresented, with underrepresentation of organisations based in London. Four out of five respondents (81%) were volunteers, including hundreds of trustees.

Respondents had so much to say about banking that we have decided to explore the results of the survey across a series of briefings. We want to do justice to the complexity of the sector's experiences and explain and demonstrate the ways that barriers overlap to make banking one of the most pressing challenges that organisations experience day-to-day.

In this first briefing, we explore four key messages that connect all of the respondents' experiences:

- 1. Services that charities need are increasingly unavailable³**
- 2. Services that are available are not suited to the way that charities operate**
- 3. Charities often encounter poor customer service**
- 4. Online banking is not designed for or accessible to charities**

The survey responses made it clear that these messages are relevant to all types of organisations in all locations, from micro volunteer-run charities in rural villages to national household names with urban offices and incomes in the millions.

We appreciate that the banking sector has faced a convergence of regulatory and business pressures in recent years. For example, tighter anti-money laundering and anti-fraud regulations have accompanied increasing competition from new entrants to the market, especially digital banks, and pressure on revenue from persistently low interest rates. These trends were present long before 2020, but the covid-19 pandemic and its ongoing impact on the economy will doubtless have exacerbated and accelerated them. These trends are sure to have contributed to the difficulties with banking that charities are currently facing.

Such complex and overlapping challenges cannot be solved by either the voluntary sector, the banks, or government alone, but must be tackled collectively. Failure to do so will put the proper governance of charitable money and delivery of charity services at serious risk. As well as being of concern to charities, voluntary groups and community organisations, this is a situation that concerns the sector as a whole and will be of interest to the Charity Commission, as the sector's regulator.

¹ NCVO press release, "The Civil Society Group launches to increase collaboration, improve efficiency, effectiveness, and streamline engagement". 2 November 2021. <https://tinyurl.com/24sj26yz>

² UK Civil Society Almanac 2021. <https://beta.ncvo.org.uk/ncvo-publications/uk-civil-society-almanac-2021/profile/>

³ For brevity, we have used the word 'charity' to describe all respondents.

Services that charities need are increasingly unavailable

One of the strongest themes emerging from the survey is a lack of access to the types of banking services that charities need.

When asked to rank the availability of in-person services on a scale of 1 (unavailable) to 4 (very available), the average score was 2.25, or 'not very available.' Many respondents noted that in-person banking services have become less available due to ongoing branch closures combined with a reduction in opening hours and the types of in-person services offered.

The number of bank branches in the UK is estimated to have halved since 2015.⁴ Branch closure rates have accelerated because of the covid-19 pandemic, as has the move to online banking.⁵ Another effect of the pandemic has been an even greater shift from cash to digital, often contactless, payments and transactions.⁶

The impact of this is particularly pronounced for the 85% of respondents who earn less than £100,000 per year, of whom 44% are in rural and small-town settings. When bank branches close, this can mean longer travel times to visit the nearest branch. With 81% of respondents being trustees or volunteers, many described taking time out from their job or using their lunch break to visit the bank during its operating hours.

"We cannot get to a branch anymore as they have closed our local branch. We are volunteers and have to do our admin including banking outside of our working hours for our full-time paid jobs."

Getting to a branch can also mean encountering parking and congestion zone charges, limited parking or lack of suitable public transport options – all of which might make a bank visit more expensive and time consuming, with a disproportionate impact on smaller and/or volunteer-led charities.

"We've seen all our local branches close within the past 2 years, meaning a 40 mile round trip if we need to visit a branch."

"Because of closure of teller services, we now have to pay more to travel to a branch with these services, and more to park. It also takes much longer, wasting valuable time."

For those bank branches that remain open, many charities have reported more limited services due mainly to reduced operating hours and less staff capacity. For example, business desks may be closed, and there may be limited facilities to deposit cash, coins, and cheques. Fewer staff can result in much longer queues, and mundane tasks such as picking up a new chequebook can take ages.

"We are volunteers who not only run units but manage accounts, programme plan, waiting lists, compliance in training and work full time. We don't have time to keep running into branches, everything should be available online to complete."

"Paying in and withdrawing cash in branch is usually faced with lengthy queues and slow service. There is now only one cashier available (part time) in our local branch - there used to be 2-3 cashiers available during normal office hours."

With the reduction of services in physical branches, many respondents have spent hours using customer service phone lines or online chat services, which often means volunteers taking out more time from work, other responsibilities, or limited free time. Fifty-eight respondents mentioned the

⁴ <https://www.theguardian.com/business/2021/dec/27/uk-bank-branch-numbers-have-almost-halved-since-2015>

⁵ <https://www.computerweekly.com/news/252514666/No-end-to-UK-bank-branch-closures-as-HSBC-shuts-69-more>

⁶ https://www.thersa.org/globalassets/foundation/new-site-blocks-and-images/reports/2022/03/the-cash-census-report_v3.pdf

specific capacity problems faced by volunteers, including the excessive time spent trying to speak to someone at the bank.

“A phone call to [the bank] in December 2021 took 2 hours and 52 minutes before it was answered. Subsequent phone calls to the customer service line have resulted in waits of nearly an hour before the call is answered. They just don't have enough staff to do the work.”

Importantly, many charities and community groups still need counter services to pay in cash and cheques. This is true for small community groups as well as charities with trading arms that are operating, for example, charity shops, cafés, and buildings for hire.

Many have therefore turned to local post offices for cash and cheque services. However, some respondents reported issues with this, including discrepancies and cheques/cash going missing, as well as some post offices not being able to receive large amounts of change or accept cash.

“We now have to pay in via the post office as the local [bank] has closed its counter. The post office will take notes but all coins have to be in full bags eg 20 x £1. Anything over this has to be kept in a cash box until further cash arrives.”

When faced with such problems, thirty-eight respondents specifically described feeling forced to find workarounds that they recognised as poor practice. These included:

- Paying cash into their personal accounts and then writing a cheque to the charity's account
- Keeping cash at home until there is enough for the bank to accept a deposit
- Listing one trustee as the “controlling party” to satisfy anti-money laundering processes
- Removing dual authorisation in order to gain access to online banking
- Keeping funds for a discrete project in the charity's main account, despite the organisation having rules about keeping project funding/income in a separate account

These are high-risk strategies for any organisation, and it is worrying that some charities feel they must engage in poor financial governance to enable access to the banking services they need.

Services that are available are not suited to the way that charities operate

One of the fundamental problems that respondents identified is that banks do not understand the needs of charities – and in particular, the role of trustees and other volunteers. This is likely related to the fact that charity accounts are typically treated as business accounts, and questions or problems are directed to the business banking team.

The complexity of banks' requirements can be disproportionate to the needs (and risks) of charities. Procedures that manage the risks of issues such as money laundering can make operating a charity account extremely difficult and burdensome, and there seems to be no flexibility within the rules to take into account the difference between the needs of businesses and charities.

“Apparently we have the wrong type of account but we are unable to open the correct type of account because we can't produce original documentation dating back to 1895.”

The administration of accounts, particularly opening an account or making changes to the mandate, can be complex, time consuming and held up by repeated delays. In fact, 33% of respondents had difficulty opening a bank account in the last 18 months.

Banks of course incur costs in operating all types of accounts. However, for many respondents, charges for charity accounts were becoming or were already felt to be excessive, particularly for organisations with very small incomes or with significant numbers of cash and cheque deposits to make. Respondents described charges for every transaction, on top of monthly fees: cheques and cash banked, withdrawing cash, making payments (especially by cheque, but also by BACS and card), having a card with the account, and taking card payments.

While almost half (43%) of respondents said they pay charges to maintain their bank accounts, most felt that banks should not charge fees on charitable accounts. Concerns centred on the principles that not-for-profit organisations should not have to pay, and proportionality, especially in cases where charities only deal with comparatively small amounts of money but have high numbers of transactions (for example, parents paying for Brownies each week). There is particular frustration where charges have been introduced at the same time that level of service has declined.

“When setting up another account for one of our new groups I was told by the bank that charges were being introduced because the banks don’t want the charity accounts with small incomes as they are not worth it. Our members only pay £30 per term and we are struggling financially as it is, if we increase subscriptions it means that family with low incomes don’t let their daughters join.”

80% of charities in the UK have an income under £100,000, rising to 96% under £1m.⁷ Many are powered by an army of volunteers: almost three fifths of voluntary sector employees work in small organisations with fewer than fifty employees, and in the smallest organisations volunteers outnumber staff 18 to 1.^{8,9} This context is important because the majority of charity banking is carried out by non-specialists, who are often volunteers.

Navigating banking requirements as a volunteer can be especially difficult. While the need for banks to have secure processes is recognised and understood, charities report significant challenges when dealing with systems and processes designed for businesses. Central to this are challenges with signatories: 67% of all respondents reported problems with changing signatories in the last 18 months.

For smaller charities in particular, signatories will often be trustees (who are also volunteers). While it may be necessary for signatories to provide personal information to banks so they can be authorised to act on behalf of the charity, 44% referenced the extensive nature of this information, including cases where **all** trustees have had to supply this information, even when they are not signatories. Many also described trustees being required to visit the bank in person and all at the same time to provide hard copies of their signatures, with no recognition that they likely do not live or work in the same place, and that many must take time out of paid work to visit the bank.

Burdensome processes for changing signatories are particularly problematic because this must be done regularly. Trustees may change frequently (in fact, some turnover is a key element of healthy governance), but this means that charities face the same challenges each time they need to update their account signatories. Depending on governance structures, most charities hold annual general meetings at which trustees are identified for the coming year. This can mean that a charity must change some or all of its signatories every single year.

Worryingly, delays in changing account signatories have in many cases led to charities having signatories on their accounts who are no longer associated with their organisations, sometimes at significant risk. At the same time, many described situations in which the bank had not yet added existing trustees as signatories, so the trustees could not operate the account or authorise payments.

⁷ <https://beta.ncvo.org.uk/ncvo-publications/uk-civil-society-almanac-2021/executive-summary/>

⁸ <https://beta.ncvo.org.uk/ncvo-publications/uk-civil-society-almanac-2021/workforce/>

⁹ <https://smallcharitiesdata.org/topic/workforce-and-volunteers/>

Some trustees without driving licences or passports had found it difficult to provide proof of identity (and this was not just limited to older trustees), and therefore were not permitted to be added as signatories.

“Some [of our former signatories] had died, some were in care homes with dementia, some had disappeared. The bank would not speak to the living, nor tell the living who were listed as signatories as this broke GDPR rules...Sorted only because the current treasurer bumped into a former treasurer in a cafe who said [they] had been a signatory in a galaxy far far away. Although [they] had no link to the present organisation for 20 plus years, the bank would speak to [them].”

The complex nature of forms that must be completed can also be challenging. For smaller charities in particular, people will be unlikely to have accountancy experience, and, in most cases, this will not be necessary for their role within the charity. Yet forms are designed for much larger companies who themselves will require far more complex processes. Even when charities ask their bank for help with completing processes and meeting requirements, most report no support being available.

“[Our bank] sent us an in depth form to fill in (I think to check we weren't money laundering). Most questions were not relevant to a small charity run by volunteers but we filled it in the best we could - took ages. Then a few weeks later they said we had failed their security checks but didn't say how.”

Banks' lack of recognition of how charities work can contribute to a sense of exasperation and can even discourage people from volunteering. One respondent who volunteered with a local charity gave up their role due to the stress and time commitment of dealing with the organisation's banking issues.

Charities often encounter poor customer service

Of 680 respondents who provided more detail about their banking challenges, 25% mentioned poor customer service. This included many instances of lost forms, inconsistent information given by different staff members, and a sense that nobody is particularly interested in helping because charities are not seen as valuable clients.

Respondents described delays in a wide range of services, including setting up accounts, changing signatories, providing cards or cheque books (especially if trustees/signatories have changed), closing accounts, and changing details such as addresses, as well as resolving day-to-day problems.

Some acknowledged the impact on services caused by people working from home and/or staff shortages due to covid-19, especially in the early days of the pandemic. However, in many cases, delays appeared to be due to banks losing information and bank staff giving contradictory advice.

In many cases, respondents were unable to identify why things were so delayed. For example, one organisation followed the bank's processes to receive online (rather than postal) statements on three separate occasions, and do not know why the bank has not yet made the requested changes.

Many respondents described a lack of consistency in processes and policies between banks, between staff at the same bank, and between accounts belonging to the same bank. For example, forty-two respondents cited a lack of case management and described falling through the cracks between staff members and departments. Changes in rules and policies seem to happen frequently, which means corresponding procedures and understanding in the charity have to change. Other examples include:

- Some banks allow functions such as dual online authorisation; for other banks this seems to be impossible.
- One respondent was only permitted to make payments into a certain account by cheque; other accounts held by the same organisation at the same bank allowed online deposits.

- Transfer of funds to international partners can be very difficult, and there is a lack of understanding of the purpose of the charity in doing this.

Fifty-one respondents mentioned their bank losing paperwork or making administrative errors that led to delay, confusion, and stress. For example, numerous respondents described signatories having changed address or left the organisation, and letters to them having been returned to the banks. In these cases, the banks did not follow up with anyone else in the organisation to resolve the problem, but rather froze or even closed the accounts in question.

“One bank account was frozen because we had not provided an answer as to where our cash receipts had come from. This was in a single letter with no follow up, just the account suspended.”

Worryingly, fifty-three respondents told us their organisation had lost access to their bank account, either temporarily or permanently. Many of these cited mistakes made by banks, which they described as almost impossible to resolve or get the bank to acknowledge.

“Bank accidentally cancelled our only card. Took almost a month to reissue, and the new PIN several weeks after this. Caused untold problems we’re still unravelling.”

“After we removed a signatory, bank did not remove their online access (kept saying they had, but person still had access), eventually they removed all [their] access, including from [their] personal account & this also cancelled [their] personal "apple-pay" leaving [them] without access to [their] own money.”

Another common reason that was given for this was a lack of activity on the account. 887 respondents (70%) to the survey had annual incomes of less than £10,000, and over 700 respondents (55%) represented a unit of Scouts, Rainbows, Brownies, Rangers, or GirlGuiding. Many others were village halls. These types of organisations were unable to run activities during the pandemic and were therefore much less likely to be paying money into or out of their bank account.

“The last 18 months have been a nightmare with letters asking for safeguarding information multiple times. Even when the information has been returned more requests have arrived asking for the same information. Trying to talk to someone by phone has been impossible. Then the account was closed because we hadn't used it. We couldn't because of the Covid Pandemic. Our units were unable to meet so there was no funding coming in.”

Upon closing these accounts, the banks sent the organisations a cheque for the account’s balance. This was the first that many had heard about their account being closed, so they had not opened any other accounts into which they could pay these cheques. Even with advance notice of their accounts being closed, many organisations found it very difficult to find another bank that would take them.

Respondents desperately wanted a real person to talk to when such problems arose, who is easily available and has the specialist knowledge that the voluntary sector requires. This was mentioned frequently, especially when changing signatories.

Online banking is not designed for or accessible to charities

Over half of the respondents (57%) do not bank online, but 65% would prefer to do so, suggesting that online banking does not meet charities’ needs. Indeed, of the 814 respondents who would prefer to bank online, almost 1 in 3 (32%) currently do not. Reasons given for this include:

- The inability to have dual signatories.
- No provision for online banking for certain types of account, depending on individual banks.
- The prohibitive amount of time required to set up online banking.
- Poor customer service.
- Lack of support from the bank.

Those who prefer to bank in branch said they do not bank online for many of the same reasons, particularly dual signatory issues and lack of compatibility. Some stated that they were still operating a legacy account (often referred to as a “Treasurer’s Account”) that cannot be changed to online. Some had even been given notice of closure of this account type and had no suitable replacement that could be used for a charity from their bank.

Those who prefer to bank in person may also be apprehensive about the complexity involved in setting up a new account of any type, with online processes exacerbating anxieties. There also appeared to be some reluctance to trust online banking, fear of change, and a concern about whether the ability to bank via the Post Office would be lost or withdrawn in the years ahead.

Some organisations said that their treasurer does not want to bank online. In-person visits to a branch (where one is available) and being able to speak to bank staff appear to be a supportive experience for some people, and some respondents cited their treasurer’s age in reference to this.

The interaction of multiple issues can exacerbate difficulties. For example, changing bank mandates on an offline account is required before the account can be moved online. Resolving problems is also made harder by local branch closures and inconsistent advice from bank staff.

On the whole, respondents expressed a strong consistent preference for online banking services alongside access to a branch to pay in cash and cheques, especially those with trading arms or who regularly receive subscriptions/small payments. Access to cash, ability to bank cash and the cost of both banking cash and issuing cheques is a significant factor in deciding whether to try and bank online. The cost of banking is connected to this, and different organisations are pursuing different (and sometimes opposite) strategies to keep their banking costs down – with some moving to online banking for this reason, and others retaining legacy offline accounts to do so.

What next?

Many of the challenges that have been identified through our survey could be overcome. We want to work with the banking sector to understand the drivers of these challenges, increase understanding about charities and how they work, and collaboratively develop solutions. We are particularly keen to consider how processes can be made more proportionate and transparent, based on an organisation’s size and activities, and how, as one respondent put it, we can work together to bring charity banking into the 21st century.