

**‘All gone now’:**

**The material, discursive and political erasure of bank and  
building society branches in the UK.**

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**ABSTRACT**

This paper examines an apparent anomaly that lies at the heart of processes of financial exclusion within the UK. Why is it the case that, although the branch networks of bank and building societies have shrunk in size by about one-third since 1989, while at the same time the Government has launched a wide ranging set of policies to tackle financial exclusion, the issue of branch closure has been neutralised as a political issue? After providing evidence to show the extent of branch closure in the UK, and illustrating the ways in which geographical research in particular has drawn attention to the nature of this problem, we look at the way the issue of physical access to financial services has been discursively and politically marginalised. To do so we undertake a detailed history of public policy in the area, and the ways in which research funded by industry bodies and Government departments has been used and framed to build a pro-market, neo-liberal policy programme that constructs branch closures as natural and inevitable.

**Key words:** Financial exclusion, bank and building society branches, public policy, neo-liberalism.

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## **I INTRODUCTION**

‘[T]here were two banks, one on each corner. All gone now. Anybody who can get out, gets out. The banks have shut because of the crime, the building societies that opened closed quickly too ... This is what we have lived with for years ... Now all we hear is regeneration: but if the degeneration had not taken place, there would have been no need for it. Newham is a poor borough and Canning Town [East London] is the poorest of the poor’  
(Interview extract taken from Samuel, M. ‘Random murder in poor area: One dead’, 29<sup>th</sup> August 2006, *The Times*)

Financial abandonment and withdrawal – and the sense of betrayal and loss that it engenders – is an all too familiar story in the UK. Over the past 15 years bank and building society branch networks have been subject to a sustained process of reduction. While it is true that between them the banks and building societies still have thousands of branches located the length and breadth of the country, their numbers have been significantly reduced since the late 1980s. Moreover, while the rate of closure has declined somewhat since the early 1990s, branch closures have continued apace in the 21st century. But despite this, the issue of branch closure has ceased to be a problem for financial institutions in the way that it was in the late 1990s. In only a few years a process that, *inter alia*, generated page after page of negative media coverage, helped to initiate an academic debate of the role of branch closure within wider processes of financial exclusion, and fuelled a burgeoning policy literature on the same subject, has been

relegated to a side issue for the retail financial services sector. The subject resurfaces occasionally – as in the quotation above – but, for the most part, the process of branch closure has been largely defused as a political issue. This paper considers how this transformation came about and, more specifically, seeks to address the following question: how was it that the material erasure of branches from the retail financial landscape was accompanied by a progressive erasure of the term from academic and policy literatures when one might have reasonably anticipated it to have the opposite effect? This is a particularly remarkable development when one considers that this has taken place in Britain under a Government that, on the surface at least, has expressed an unusual willingness to tackle social and financial exclusion.

The remainder of the paper is organised as follows. In part two we provide brief empirical evidence of the extent to which the branch has declined within the fabric of the retail financial services industry. Part three considers the place of the branch within policy initiatives developed by the Government in response to concerns about financial exclusion. We reveal how such initiatives have served to reject the argument that branch closure is a causal factor in the production of financial exclusion. In part four, we argue that such policy measures have drawn the political sting of branch closure. This has been achieved by normalising and naturalising closure and by placing much greater emphasis on the responsibilities of the consumer through concepts such as financial literacy and financial capability. In addition, it has been achieved by enrolling the quasi-state organisation of the Post Office into the financial system, making its network available for the distribution of financial products developed by more mainstream financial providers. Part five concludes the paper.

## II THE MATERIAL ERASURE OF THE BRANCH

The story of the disappearing branch begins in the early 1990s when retail financial services firms responded to emerging debt problems caused by the collapse of the 1980s credit boom by changing their approach to the assessment and management of risk. Firms sought to discriminate more clearly between ‘good’ and ‘bad’ customers and to identify their potential value to overall profitability. In order to do so, financial services firms began to make greater use of credit scoring systems to determine the levels of risk and reward of different types of customers, by correlating socio-economic attributes with their previous financial performance (Leyshon and Thrift, 1999). This centralisation of credit control and risk assessment, and the rise of new distribution networks for selling financial services such as telephone (and later Internet) banking, enabled retail financial services providers to reconsider the role of their branch networks (French and Leyshon 2004; French et al. 2004).

The outcome of this reconsideration was a sustained programme of branch closure which delivered significant cost savings and efficiencies as they were accompanied by a wave of redundancies, mainly among middle managers in branches. Between 1989-2003 the rate of branch closure was 36% for banks, 22% for converted building societies and 17% for building societies (Leyshon, Signoretta and French, 2006) (Table 1).

\*\*\* Table 1 about here \*\*\*

Furthermore, the geography of this wave of closures was both distinctive and regressive. The average branch closure rate for all areas between 1995 and 2003 was 20%. However, the highest rate of closure – almost 24% – was experienced in ‘Multicultural Metropolitan’ areas, which include poor inner city areas<sup>1</sup>. Meanwhile, areas that experienced fewer than average branch closures tended to be more affluent and

which could safely be described as ‘Middle England’ (Table 2). Changes in the social and economic geographies of Britain have meant that for many financial institutions, a significant number of their branches are ‘in the wrong place’. For them, closure programmes are part of a geographical restructuring exercise that seeks to ensure that their branch networks reflect these new geographies. This involves redirecting assets away from economically struggling communities, where aggregate demand is falling, and towards new, more prosperous communities, where market opportunities are greater (Leyshon, Signoretta and French, 2006).

\*\*\* Table 2 about here \*\*\*

Therefore, since at least the late 1980s, the retail financial services sector has been embarked upon a sustained and extensive programme of branch closure, which has had significant spatial implications, as branches have left poorer areas faster than they have left more affluent areas. The implications of closures on communities has been summarised by Argent (2002, page 319);

‘Individuals are forced to travel further to access face-to-face banking services, or make arrangements for others to do their banking for them ... businesses experience increased costs and inconvenience in doing their own banking, and often notice a loss of local trade as residents shop and conduct other business in the nearest town with a branch; and the community suffers through the loss of local employment and the out-migration of skilled bank staff and their families’

Yet, despite an awareness of the negative geographical consequences and the relentless progress of closure programmes in the UK since the late 1980s, the issue of branch closure has become marginalised within policy and academic debates that seek to address the problem of financial exclusion. Although much of the pioneering academic work on financial exclusion was prompted by geographical observations of its uneven incidence

(Dymski and Veitch, 1996; Leyshon and Thrift, 1995; Marshal et al. 2000), as researchers from other disciplinary traditions have begun to work in this field so they have tended to down play the significance of space and place in the production of financial exclusion (see, for example, Devlin, 2005). Indeed, by the mid 2000s, the issue of branch closures had waned to such an extent in financial exclusion policy networks that it had been all but excluded as a legitimate concern of public policy. In the next section of the paper we consider the evolution of UK Government policy towards financial exclusion and then later suggest reasons why the ‘problem’ of bank and building society branch closures has effectively been ruled inadmissible as a policy concern.

### **III. A POLICY HISTORY OF BRANCH CLOSURE.**

‘We all know the problems of our poorest neighbourhoods – decaying housing, unemployment, street crime and drugs. People who can, move out. Nightmare neighbours move in, Shops, banks and other vital services close’  
(Foreword by Tony Blair, SEU 1998, page 7).

By the mid-1990s the growing amount of academic work and press coverage on the continued material erasure of branches led to a politicisation of the issue of closure. The election of a Labour Government in 1997 propelled the issue of branch closure to the fore as it signalled its intention to once again make issues of social justice a priority. At the heart of the Government’s social justice agenda was the establishment of a Social Exclusion Unit (SEU) whose remit was to tackle head on the problems of the most deprived neighbourhoods. By developing a joined-up *National Strategy for Neighbourhood Renewal*, and by engaging local communities more directly, the Social Exclusion Unit hoped to learn from the mistakes of the past and make real progress in tackling the entrenched problems of the poorest neighbourhoods. The *National Strategy for*

*Neighbourhood Renewal* (1998) firmly placed the issue of branch closure at the centre of debates around deprived and poor neighbourhoods with bank closure being cited by Tony Blair in the very first lines of the report's Foreword, alongside the more traditional problems of unemployment, decaying houses and crime, as symptomatic of the sorts of significant disadvantages that people living in poorer neighbourhoods have to face. Most significantly, the *National Strategy for Neighbourhood Renewal*, through the establishment of a Policy Action Team (PAT 14), represented the first direct recognition of the connection between financial and social exclusion, and laid the foundations for the translation of concerns over the effects of branch closure into an explicit programme of Government action. Indeed, the policy initiatives that emerged from PAT 14 represented 'the first concerted attempt by any European Government to tackle the issue of financial exclusion by offering real choices to excluded people' (Drakeford and Sachdev, cited in Ryder and Devenney, 2005, page 399).

It was during this period of policy innovation that public concern over the issue of branch closure also was at its height. In particular, the announcement by Natwest Bank, in the summer of 1999, of its intention to close 200 branches and the decision some nine months later, in April 2000, by Barclays to shut 171 of its branches on a single day generated widespread public outcry. In retrospect, it is apparent that while the period between 1998 and 2000 undoubtedly witnessed an unprecedented level of political scrutiny of the issue of branch closure, it was during this very same period that it was progressively erased from the lexicon of financial exclusion and social justice policy debates. It is to this turn of events that we now turn.

The central tenets of financial exclusion policy, as articulated in the SEU's *Policy Action Team Audit* (2001), have remained fundamentally unchanged since their inception in the early 2000s: (i) Basic Bank Accounts; (ii) enrolment of the Post Office; (iii)

financial education, and; (iv) support for third party lenders. By cajoling the banks into offering Basic Bank Accounts, establishing Universal Banking Services accessible through the Post Office network, making it easier for credit unions to help to bridge the gaps left by the withdrawal of mainstream financial institutions, and through educating the ‘financially illiterate’ and ‘financially incapable’, the Labour Government was able to erase branch closure as a political issue. Thus, the problem of branch closure was ‘solved’ not by intervention to reverse or even prevent further closure, because closures have continued apace, but, crucially, through managing the gaps in the financial landscape created by financial infrastructure withdrawal. To understand how, and why, this approach to the problem was arrived at, we need to trace out the genealogy of contemporary British financial exclusion policy (Figure 1) and, in particular, look closely at the work of PAT 14.

\*\*\*\* Figure 1 about here \*\*\*\*

The purpose of PAT 14 was to develop a ‘strategy to increase access to financial services for people living in poor neighbourhoods’ (SEU 1998, page 73). PAT 14 was tasked to report on the ‘scope for widening access to financial services’ and, in particular, the scope for: (i) ‘the development of credit unions’; (ii) ‘increasing the availability of insurance services to deprived communities’, and; (iii) ‘the role of the retail banks, Post Offices and other organisations in providing access to and deliver of financial services in deprived neighbourhoods’ (SEU 1998, page 73). To complete such an evaluation the Treasury appointed what it described as a ‘mixed group of civil servants and outside experts’ (HM Treasury 1999, page 1). However, in reality the Action Team was dominated by Whitehall mandarins, with only five of the 21 being ‘outside experts’, the remainder being either civil servants or banking industry representatives. In seeking to develop a financial exclusion strategy the members of the Action Team embarked on a

period of consultation throughout the winter of 1998 and the following spring, which included: a formal public consultation; discussion forums in Birmingham, Liverpool, Edinburgh and Newcastle, and; work in sub-teams on questions of access to insurance, banking services, money advice and credit unions (HM Treasury 1999).

As the Government was beginning to directly engage with the problem of financial exclusion, so the financial services industry was also beginning to respond to the growing disquiet over branch closure and problems of access. In particular, the British Bankers Association (BBA) had begun to commission its own research and formulate a policy response to the problems of financial exclusion. Between the summer of 1998 through to the end of 2000 the BBA published three key reports which were to significantly shape the terrain of policy debate and, in particular, attitudes toward branch closure. The first of these reports, *Access to Current Accounts* (Kempson and Whyley, 1998), was published in August 1998 on the eve of the unveiling of the *National Strategy for Neighbourhood Renewal* and the establishment of PAT 14. Written and researched by Elaine Kempson (later to become a member of PAT 14) and Claire Whyley, both based at the Personal Finance Research Centre (PFRC) – an independent retail financial services policy consultancy established in the School of Geographical Sciences, University of Bristol in 1998, which has since become one of the most important sites for the production of policy relevant research on financial exclusion – *Access to Current Accounts* reported the findings of a BBA commissioned study into the characteristics of the ‘unbanked’, the estimated 14 - 23% of the population that were believed to be without a current account (Kempson and Whyley, 1998). In addition to advocating the development of a basic banking product to meet the needs of those without bank accounts, a proposal that was gaining momentum at the time, the report, which was based on analysis of large scale social survey data, was significant in that it represented one of the first real endeavours to formally quantify the relationship between the

problem of geographical access and the specific issue of the lack of a current account. Crucially, the authors reported that of those researched only a very tiny percentage, as little as one per cent, cited the lack of a local bank branch as a key reason for the lack of a bank account (Kempson and Whyley, 1998).

In the meantime, following a period of consultation PAT 14 published its own initial findings in November 1999 (HM Treasury, 1999), making over 40 recommendations, with particular stress laid upon a consideration of the ‘ways in which the post office network could become part of the alternative delivery services’ (HM Treasury, 1999, Foreword by the Economic Secretary to the Treasury). More generally, the report emphasised that ‘[t]he way forward lies in developing *new* and *alternative* means to deliver and provide access to financial services’ (*ibid.*, emphasis added). Thus, from the very outset, the accent of PAT 14 was on the *management*, rather than the prevention or reversal of financial infrastructure withdrawal and, in particular, on the enrolment of the Post Office as cornerstone of financial exclusion policy. In turn, the political downgrading of branch closure as an issue in and of itself is reflected in the disparity between the high profile afforded to the process in the *National Strategy for Neighbourhood Renewal* and the manner in which closure is attended to by PAT 14. Whilst reserving a separate section for discussion of the specific problem of branch closure, PAT 14’s analysis is restricted to less than two of the report’s 70 pages and the narrative is characterised by two themes. First, the connection between branch closures and financial exclusion is problematised. While the report recognises that the ‘[s]hrinkage of bank and building society branch networks ... has often been blamed for contributing to financial exclusion’, it goes on to assert that the ‘relationship between branch closures and financial exclusion is far from straightforward’ (HM Treasury 1999, page 47). In so doing, the report cites the research prepared for the BBA the previous summer by

Kempson and Whyley as evidence of the problem of assuming a link between the two issues:

‘Research into why people do not have bank accounts indicates that only a tiny percentage say it is because of the lack of a nearby bank branch; the BBA suggests under 1 percent of those without a current account’ (HM Treasury 1999, page 47-8)

Second, having problematised the connection between branch closure and financial exclusion the report then goes on to highlight the potential of the Post Office as an alternative distribution channel (HM Treasury 1999, page 48). In this context, and given that it is made very clear in the Foreword to the text that ‘We [the Labour government] do not want to have to legislate, as some have urged, to compel banks to serve all sections of the community’ (HM Treasury 1999, Foreword by the Economic Secretary to the Treasury), it is perhaps unsurprising that no mention is made of more radical solutions to the problems of branch rationalisation.

The first report of PAT 14 is highly significant in that it both downplays and downgrades the problem of branch closure, questioning both the casual link between closure and financial exclusion and arguing that the lack of geographical access to a branch is only one of many factors contributing to, rather than a central driving force of, financial exclusion. However, the question of closure is not entirely dismissed out of hand – given the public outcry at the time it is difficult to see how it realistically could have been – with the report stressing the need for further research. More specifically, the report stresses the importance of a second BBA commissioned study – which in progress at the time, was again researched and written by the PFRC and commissioned in collaboration with the Campaign for Community Banking Services (CCBS) – the aim of which was ‘to investigate how people cope in areas where bank branches have closed;

and to evaluate the range of options available to banks and building societies seeking to maintain services for the people affected' (HM Treasury, 1999, page 48-9). The BBA study, *Banking Without Branches* (Kempson and Jones, 2000), was published in January 2000 and employed a range of survey methods including: an analysis of a geographic database to assess the proximity to banks and building societies; a national survey of individuals and small businesses located in the 15% of urban and rural areas that were one mile from a branch in the case of the former, and four miles from a branch in the case of the latter; a survey of eight case study areas in which the last branch had closed, and; follow up semi-structured interviews and focus groups with those that had highlighted difficulties in getting access to their branch (Kempson and Jones, 2000, page 8). What is most striking about this detailed study, and that which was to be enthusiastically taken up by BBA (2000) in its ensuing report of financial exclusion policy, was once again that the findings appeared to question the link between geographical access and branch closure, and financial exclusion:

'Bringing together those who visited a branch with those who did not shows that, altogether, just 10 per cent of people said they found it difficult to reach a bank branch – 14 per cent if we also include those whose banking was undertaken for them by someone else. *This finding is one of the most remarkable in the survey and suggests that only 1.5 to 2 per cent of the total population in Britain lives so far from a bank branch that it poses them real difficulties.*' (Kempson and Jones, 2000, page 46, emphasis added).

However, the authors were also careful to stress that those who did experience the most difficulties were some of the most vulnerable such as 'people aged over 80, people with disabilities that limited their mobility, and women caring for small children' (Kempson and Jones, 2000, page 46). Furthermore, while evidence that supported the view that

branch closure was only a problem for a small minority of individuals was, as we shall see in a moment, rapidly taken up in policy debates, other evidence from the study which at the very least appeared to provide a rather different interpretation of the link between geographical access and financial exclusion was largely ignored. So, for example, in relation to the local case studies the authors found a:

‘very big difference between the eight areas ... The areas with highest level of difficulty were the two City Estates and Small Town 1 – each with about a quarter of the people interviewed saying that the bank branch was difficult to use or they relied on someone else to do their banking for them. *These were the three most deprived areas*’ (Kempson and Jones, 2000, page 51, emphasis added).

Significantly, in offering an explanation of such unevenness Kempson and Jones (2000, page 51) emphasise the ‘characteristics of the local population’ and importance of ‘access to [public] transport’; in other words, they draw attention to the importance of place as well as absolute distance from the nearest branch, in determining the relationship between geographical access and financial exclusion.

Three months after the publication of *Banking Without Branches* the BBA (2000) published *Promoting Financial Inclusion* the BBA’s third report in 18 months on the issue. As well as providing details of its commitment to Basic Bank Accounts, initiatives to help promote financial literacy, and partnerships with credit unions, *Promoting Financial Inclusion* asserts that ‘cash machines and agency arrangements between individual banks and the Post Offices seem to be the most likely areas of service development in communities distant from a branch’ (BBA, 2000, page 16). In so doing the report draws heavily on the earlier research of Kempson and Jones (2000) to argue that those that were experiencing difficulties were in fact only a tiny minority, ‘equivalent to two people in every hundred’

(BBA, 2000, page 15). As such, the BBA go onto argue that the ‘problem’ of branch closure is really one of a potential ‘tyranny of the majority’, whereby:

‘the great majority of customers benefit from the greatly increased accessibility of banking services but a small minority are hit by the consequent decline in the channel they prefer – the branch. *The solution is not to try to resist basic economics and try to turn back the hands of time.* Instead, we need to find ways of helping this minority to benefit from the new delivery channels’ (BBA, 2000, page 16, emphasis added)

From this perspective, attempting to slow, stop or even reverse branch closure programmes is ruled out as an option given that the findings of the BBA research indicated that only 1-2% of the population were adversely affected by such closures. The solution, in the eyes of the BBA, was to bridge the widening fissures left by financial services withdrawal through the development of alternative distribution channels and to improve the financial literacy of those left behind so that they too can benefit from the changes in service provision. Moreover, the logic of the argument presented by the BBA seemed to be that the provision of additional distribution channels was conditional upon the closure of branches. Fortunately for the banking industry the BBA’s conclusions converged with those of PAT 14, perhaps unsurprising given that the latter’s analysis of the problem appears to be largely reliant on these two very same BBA reports, reports which were researched and written by one of the members of the Policy Action Team (Kempson), and the Government’s own reluctance to legislate, its insistence on ‘market solutions’ and its desire to modernise the Post Office and automate welfare payments (Midgley, 2005).

By the summer of 2000 all the major pieces were therefore falling into place for a deal to be reached between the Government and the banking industry on the two central pillars of its financial exclusion policy: Basic Bank Accounts and Universal Banking

Services. Responding to a Government deadline, 21 of the major Banks and Building Societies had, by October 2000, begun to provide Basic Bank Accounts in line with the recommendations of Kempson and Whyley (1998), PAT 14 (HM Treasury, 1999) and the BBA (2000). If Basic Bank Accounts were developed as a solution to the structural problems of access to financial services, the enrolment of the Post Office through the development of Universal Banking Services was explicitly designed as a solution to the problem of geographical access and of branch closure. As Midgley (2005) has stressed, there were two reasons for the enrolment of the Post Office. First, the sheer spatial 'reach' of the Post Office network, which possessed a 'branch network that in 1999, when universal banking was in development, stood at around 18 400 offices in the UK' (Midgley, 2005, page 279). Second, there was the social and practical efficacy of enrolling the Post Office, and in particular capitalising upon widespread public trust in the Post Office as an institution (Midgley 2005). As well as establishing Basic Bank Accounts, the Government had also pressured the banking and building society industry into collaborating with the Post Office in the creation of Universal Banking Services. Sixteen of the leading bank and building societies were pressured to allow access to Basic Bank Account services through the Post Office network (HM Treasury, 2004), and Universal Banking also involved the creation of a new Post Office Card Account (POCA), designed for benefit claimants for whom access to even Basic Bank Accounts was problematic (Midgley, 2005). The introduction of the POCA was financed by the Banking industry which, by December 2000, had agreed in principal to contribute significantly to the set up and running costs of Universal Banking Services, a contribution which amounted to £182 million spread over the five year period 2003 to 2008 (Social Exclusion Unit, 2001). Furthermore, public outcry over closures led a number of individual providers, such as Lloyds TSB in April 2000, to voluntarily pledge not to close branches if they were the last branches in a community (pledges which, in

many cases, have since been quietly reneged on<sup>2</sup>) while the banking industry also introduced changes to the Banking Code which committed banks to a formal period of notice when announcing closures.

So by January 2001, in time for the publication of the Government's first major audit of the *National Strategy for Neighbourhood Renewal* and of the work of the Policy Action Teams the then Economic Secretary to the Treasury, Melanie Johnson, was able to set out a comprehensive Government strategy for tackling financial exclusion and outline the progress that had already been made (Social Exclusion Unit, 2001). The Government was able to claim that it had tackled financial exclusion square on, forcing the banking industry into accepting the recommendations of PAT 14, and putting in place policies designed to overcome the problem of structural and geographical access.

#### **IV. THE DISCURSIVE AND POLITICAL ERASURE OF THE BRANCH.**

While there is much to be admired in the financial exclusion policy that was crafted early in the 2000s, not least in the fact that uneven access to financial services was at last being taken seriously as a policy concern, there was also much that was unsettling. Branch closure was effectively erased as a political problem during this process, despite the fact that closures continue to significantly outpace new openings. Having reviewed the policy history of the branch we now want to argue that the discursive and political erasure of closure was achieved through two principal means: firstly, through the particular conceptual framing of the branch and the problem of closure, and; secondly, through the performative role played by the two BBA empirical studies, *Access to Current Accounts* and *Banking Without Branches*.

What becomes clear from the preceding analysis is just how important these two studies have been in empirically framing (Slater, 2002), calculating, and quantifying the

problem of branch closure and of geographical access, and in so doing translating branch closure into a manageable artefact, an object which could be enrolled and acted on within the policy network. More particularly, the uncertain and contested terrain of branch closure and of the relationship of branch rationalisation to processes of financial exclusion was translated into a universally known and knowable ‘fact’ – the 1-2% of the population said to be adversely affected. This known fact could then be translated by the BBA into a discourse of the ‘tyranny of the majority’ and by PAT 14 into a need to provide new and alternative financial distribution channels, rather than have to bow to the ‘tyranny of the minority’ through direct intervention in the style of the US Community Reinvestment Act (CRA). In turn, these two studies and their findings need to be understood in the context of a much broader conceptual framing of branch closure as political problem, which served to narrow and shape the terms of the debate to the extent that it is difficult, in retrospect, to see how there could have been any other outcome than the one that was achieved. The terms of the policy debate around branch closure was restricted in at least five ways: the hegemony of a particular geographical imaginary of branch closure; the evocation of markets; the evocation of ‘branch economics’; an accent upon consumer adaptation, and; the very discourse of financial exclusion itself. We will now examine each of these issues in more detail.

First, whilst the *National Strategy for Neighbourhood Renewal* was predicated, in many ways, on an understanding of the importance of place, in practice the financial exclusion policy debate was conducted predominantly through the prism of a geographical imaginary in which *space* is the key register. In other words, while PAT 14 ran discussion forums in four cities, and the *Banking Without Branches* study included a survey of local case studies, geographical access to financial services was and, continues to be, understood primarily in terms of *absolute distance* from the nearest branch. Financial space is primarily understood as an isotropic plane to which the particularities and

contingencies of place must be ultimately subordinated. No more is this clearly illustrated than in the way in which distance measured in miles – one mile for urban areas and four miles for rural areas – has come to be *the* metric of geographical exclusion (see, for example, BBA, 2005, page 28). In turn, the 1-2% figure, calculated through the prism of Euclidean financial space, has come to take on the status of an immutable mobile (Callon, 1991) in policy debates (see FSA, 2000, page 30-31, for example), an immutable mobile that has been central to efforts to negate branch closure as political problem. Despite its significance it is also a ‘fact’ that can be called into question on at least three counts. First, it is premised on a narrow and technocratic reading of financial exclusion as primarily a problem of the lack of a bank account. Branch closure only becomes a quantifiable problem if there is evidence of a tangible impact on the likelihood to hold a bank account, other effects become downgraded as ‘psychological barriers’ to inclusion (see FSA, 2000; Kempson, et al., 2004, page 6), the assumption frequently being that such intangible factors can only be acted on through individualised financial literacy and capability programmes. Second, as we have seen the provenance of the percentage figure can be traced back to just these *two* studies, the most importance of which being *Banking Without Branches*, both of which were commissioned and funded by the banking industry. Moreover, the method by which the 1-2% figure was calculated was itself called into question at the time by the CCBS (2000), who along with the BBA co-steered the report. Third, the hegemony of space over place is not only reflected in the accent on absolute distance, but also in the case of the *Banking Without Branches* report the manner in which the findings of the large scale social survey have been taken up whilst evidence from the local case studies, which suggested that as many as quarter of people in deprived areas experienced difficulties, have been all but ignored. Further, Marshall (2004) has argued that such studies are underpinned by an implicit belief that financial exclusion should be treated as an ‘individual or household problem’, a treatment that ‘neglects the

interlocking nature of financial exclusion' (page 244). In essence the geographical imaginary of the branch closure policy debate can be understood in terms of the distinction between 'local' and 'universal' knowledge, and as such has to a large extent simply reified the geographical imaginary of the retail financial services industry (cf Birkin et al., 2002). Consequently, voices that continue to be raised in opposition to branch closure can effectively be marginalised, such as the CCBS which continues to campaign against branch closures, as being representative only of 'local' problems<sup>3</sup>.

Second, the debate on branch closure was also framed through the strong evocation of a neo-liberal discourse of 'markets' and, in particular, through an insistence by the State that any solution to the problem of branch closure must 'go with the grain of markets' and be based on the principle of 'non-compulsion' (HM Treasury, 1999, page 42)<sup>4</sup>. The conceptualisation of the problem in such terms serves to normalise branch closure, and to naturalise branch restructuring programmes. The evocation of 'markets' reframes the particular problem of branch closure into a more general question of market versus non-market solutions – rational versus irrational, practical versus impractical, workable versus unworkable solutions – in a similar way in which space is implicitly set against place. The critical effect of which is to cast the notion of halting or attempting to reverse the process of closure as regressive and irrational. It goes without saying that the neo-liberal recourse to 'markets' and 'non-compulsion' serves to dramatically narrow the terms of debate – no longer is it a question of what is to be done about branch closure, but a question of what can be done to ameliorate the effects of branch rationalisation programmes, programmes that are quite literally 'rational' and thus 'natural' market effects. However, the extension of this neo-liberal logic to the Post Office has introduced a growing contradiction in financial exclusion policy. Encouraged by the Government to become a viable and competitive organization in its own right, the Post Office began in 2004 to offer its own branded retail financial products through

partnership with the Bank of Ireland and thus to compromise its role as neutral provider of Universal Banking Services. Furthermore, the Post Office branch network has also itself increasingly fallen prey to the imperatives of economic efficiency and spatial restructuring, with nearly a quarter of all Post Offices having closed since 1999 and the Government announcing in May 2007 that a further 2,500 post offices or approximately one fifth of the remaining network are to be shut by 2009 (Smithers and Milner, 2007).

Third, normalisation and naturalisation of the process of branch closure has, in turn, been buttressed by reference to a particular, technologically determinist account of change within the retail financial services industry, which enjoyed significant currency in the late 1990s (French and Leyshon, 2004). The basic tenets of this account are as follows: progressive technological progress is making traditional forms of face-to-face interaction with customers inevitably redundant in the face of the development of ever more sophisticated forms of at-a-distance mediation – such as ATMs, call centres and the Internet (French et al., 2004). What is critical about such technologically deterministic accounts is the assumption that each new wave of mediation technology is cheaper and more efficient than that one that preceded it, and that consumers will naturally choose to migrate from older to newer distribution channels in a linear fashion. Such accounts cast the decline in branch networks as an inevitable consequence of technological progress, a *fait accompli* out of the control of building societies and banks. While the profusion of distribution channels over the past two decades has undoubtedly had a significant impact upon branches, the current economics of branch banking are more complex than technologically deterministic accounts of change (see, for example, BBA, 2000; FSA, 2000) would have us believe. Just as with the evocation of markets, reference to the economic fundamentals of branches served to further narrow the terms of the policy debate. That the economic case for branches is becoming ever more precarious, and that the main cause of this is customer migration to other distribution

channels, is treated as an unquestionable fact within both the industry and the policy community. However, there are three reasons why the notion of an inevitable decline in the economic viability of branches should be treated with caution. First, traditionally the role of branches has been much more than simply spaces of transaction. In particular, branches were also, until relatively recently, key centres for processing and customer services. The hollowing out of branches that has taken place since the 1980s has not been driven by the demands of customers but by a desire to maximise operating efficiency and cut costs (Bailey and French, 2005; Leyshon and Pollard, 2000). Thus, the contemporary erosion in the economic rationale of branches is at least as much to do with ongoing organisational restructuring of financial services firms than with a decline in customer footfall. Second, widely held assumptions in the late 1990s concerning the differential costs of servicing transactions – that is, branches are the most expensive channel, the Internet the cheapest – have since been proved to be highly simplistic. In particular, such calculations failed to take into account the enormous fixed costs associated with putting into place new distribution channels based on call centres and Internet banking. Third, linear conceptualisations of industry change have enabled the financial services industry and the State to present branches as historical artefacts (see, for example, Mullen, 2002). From this perspective any endeavour to replace the branch would not only be going against the grain of markets, but also against the grain of social and economic progress. However, such a static conceptualisation fails to take into account the fact that banks and building societies continue to enthusiastically open new branches in select locations. More generally, far from being a relic of the past there is growing evidence to suggest that the branch may actually be experiencing something of a renaissance, because of the commoditization of standard products and a growing realisation amongst established retail banks of the importance of the branch for ‘cross-

sell[ing] higher-margin services ... [and] as a means of differentiation' (KPMG, 2006, page 6).

Once the possibility of going against the grain of markets and the irresistible march of technological progress had been closed down, the hegemony of absolute geographical distance established, and branch closure translated into the BBA's 'tryanny of the majority', then opportunities for intervention to address the supply-side of the problem of branch closure were effectively all but snubbed out. This cleared the way for the members of PAT 14, the BBA, The Treasury, the FSA and the wider financial services industry to mobilise the fourth discursive tactic, an accent upon consumer adaptation. The main thrust of financial exclusion policy since 2001 has been to assist consumers in adapting to the new realities of the retail financial services industry, through the auspices of financial literacy programmes and, most recently, the FSA's Financial Capability Strategy (FSA 2006). Financial literacy and capability programmes can be seen as a form of governmentality, producing and disciplining the contemporary financialised 'working class' subject, the educational imperative of which bear remarkable similarity to the moral suasion and discourses of thrift which underpinned life insurance and, in particular, the industrial life market in the late C19th and early C20th (see O'Malley, 2005, page 122; French, 2002). Erturk et al. (2005, page 9) have not only questioned the practical efficacy of such programmes but have argued also that '[f]inancial literacy for the citizen is, like governance for the corporation, now being promoted as a key control technology whereby financialized capitalism obtains improved economic performance and socially responsible outcomes'.

The fifth, and final, way in which branch closure was erased through policy was via the very notion of financial exclusion/ inclusion itself. The debate concerning bank branches has turned almost exclusively on an interpretation of the exclusion/ inclusion

binary in terms of the dichotomy of the ‘banked’/ ‘unbanked’, those with and those without a current account. As a consequence financial exclusion policy has, like so much of contemporary Government policy, come to resemble little more than a glorified form of accounting, with success measured purely in terms of reduction in the absolute number of the ‘unbanked’ (see, for example, HM Treasury, 2004). While, again, there is much to be applauded in the development of Basic Bank Accounts, the emphasis on the ‘unbanked’ fails to recognise that participation in the financial system is as much qualitative as it is quantitative. In the case of Universal Banking Services, Midgeley (2005, page 281) has persuasively argued that while enrolment of the Post Office ‘ameliorates some marginalization, it supports the continuation of particularistic inclusion within both the financial system and the household’. More particularly, Midgeley (2005, page 280) has noted that women, as the most common users of Universal Banking Services, are much more likely to ‘experience the constrained forms of access to, and participation within, the financial system’ associated with the POCA and Basic Bank Accounts.

## **V. CONCLUSIONS: ‘ALL GONE NOW’**

‘A simple analysis of the relationship between concentrations of financial exclusion and access to financial services such as banks, building societies, Post Offices and ATMs shows no overall correlation between levels of financial exclusion and a lack of service provision. This suggests that in absolute terms banks are not under-represented in areas of high financial exclusion’ (HM Treasury, 2004, page 14).

We began this paper with an all too familiar account of urban deprivation and financial withdrawal. What is remarkable about this tale was not its geographical location

– in 1998 the *National Strategy for Neighbourhood Renewal* ranked the London borough of Newham, of which Canning Town is a part, as the second most deprived local authority district in the whole of England and Wales – nor the story itself (see, for example, Inman and Jones 2006), but the remarkable similarity this account bears to Tony Blair’s own assessment of the problems of Britain’s poorest neighbourhoods as set out in 1998 in his Foreword to the *National Strategy for Neighbourhood Renewal*. What is remarkable, a decade on, is the disjuncture that now exists between accounts such as this in which branch closure continues to feature as a principal local register of deprivation and the manner in which branch closure has been erased almost entirely from policy debates, and the way in which considerations of space and place have faded from academic discourse on financial exclusion (Marshall, 2004). This disjuncture is all the more remarkable given that British bank and building society branch networks continue to contract; banks and building societies have become ever more adept at repositioning their branch assets from non-performing to more lucrative geographical markets; and that poorer, inner city areas have been disproportionately affected by branch restructuring. Given that there is also growing concern over deepening geographical unevenness in ATM provision (House of Commons Treasury Committee, 2005), the Post Office is now itself subject to a far reaching programme of branch rationalisation, and there is evidence to suggest that Basic Bank Accounts and Universal Banking Services have created new geographies of gendered social polarization and particularistic financial inclusion (Midgeley, 2005).

In such circumstances it seems extraordinary that the Government appears so readily able to write off the question of geographical access, suggesting as it does that there is no correlation between geographical access and financial exclusion and, more particularly, failing to consider in any way the problem of branch closure - a clear indication that the branch is no longer a policy concern (see HM Treasury, 2004; Financial Inclusion Taskforce, 2006). We would argue that the discursive and political

erasure of the bank and building society branch can be understood as an outcome of the way in which branch closure has been empirically and conceptually framed; that is, as inevitable, natural and progressive by a neo-liberal, pro-market policy programme which has narrowed the terms of debate in such a way as to rule inadmissible any other policy intervention.

So, if financial exclusion policy and academic debate has moved on from a concern with branch rationalisation and the significance of place and space in the production of financial exclusion, this is not as a consequence of the erasure of material processes of branch closure or a reflection of the waning in significance of financial exclusion as a geographical issue. Rather, quite the contrary, because financial ecologies are becoming ever more spatially variegated. The issue of branch closure and of financial exclusion as geographical problem has been the subject of a gradual and pervasive discursive and political erasure, an erasure that in the case of branch closure has been aided by the increasingly media savvy manner in which banks and building societies have themselves managed closure, aided and abetted by a supportive policy community.

In conclusion, then, we want to suggest that the implications of the argument we have presented here for research on, and policy toward, financial exclusion are three fold. First, there is an urgent need for radically and critically informed geographical accounts of financial exclusion, and of interventions in the networks of financial exclusion policy formulation. Whether it be in terms of the branch, the ATM, the Post Office or the Internet a geographical sensibility is more than ever critical in understanding the complex, variegated and shifting landscapes of exclusion and social injustice. Second, radical and critical geographers must not only be prepared to challenge and deconstruct hegemonic geographical imaginaries, proffering alternative and more radical and progressive imaginaries such as that of financial ecologies (Leyshon et al., 2004), but they

must also be prepared for such alternative imaginaries to be themselves enrolled, translated and naturalised (Callon, 1991). So, for example, geographical access – as measured by absolute distance in miles from the nearest branch – has come to take on the form of a powerful immutable mobile helping to enable the State and the financial services industry to close down debate on branch closure by setting space against place, in ways not intended by the original authors. We must therefore also be vigilant to the dangers of ‘regulatory capture’. Third, and finally, as well as alternative geographical imaginaries we must be prepared to offer up alternative financial utopias, utopias that will often sit uncomfortably with those that are currently in circulation. Contemporary financial exclusion policy programmes turn on the moral economies of inclusion, literacy and capability, but as we and others have argued such utopias engender their own forms of social and moral polarization, in particular, around the social and political imaginary of the ‘deserving’ and ‘undeserving’ poor. The financially undeserving are those that are unwilling, or unable to submit to the discipline of the middle class financial imaginary. The financially deserving are those that are willing to submit to, or unable to resist, the disciplining power of the constrained forms of inclusion delivered by the Post Office and the financial literacy and capability programmes that preach the gospel of APR, rather than that of the weekly, hebdomadal financial calculations that are still the norm in many working class and deprived communities (Leyshon et al. 2004). As the contradictions between the Post Offices’ role as an agent of social policy on the one hand, and as an agent of commerce on the other increasingly and inevitably threaten the stability of financial exclusion policy – just as the tensions between its public and private role did in the 1870s when it was first feted as an agent for financially disciplining and inculcating thrift in the working classes (O’Malley, 2004) – so opportunities will arise for geographers to offer up alternative and more radical financial utopias.

## **CODA**

In the interstices between writing this paper and its acceptance for publication our research (Leyshon, Signoretta and French, 2006) was submitted to the *Treasury Select Committee on Financial Inclusion* and has subsequently helped inform a recommendation that the *Financial Inclusion Taskforce* undertake a mapping exercise to look again at the problem of access. Whilst this suggests that opportunities exist for geographers to draw renewed attention to the significance of space and place in debates over financial exclusion we are acutely aware of the danger that our work may become enrolled and translated in ways we also do not intend.

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<sup>1</sup> Closure rates were mapped against Office for National Statistics' geo-demographic 'supergroup' areas (see Leyshon, Signoretta and French, 2006).

<sup>2</sup> We are grateful to Derek French, Director of CCBS for bringing our attention to this issue.

<sup>3</sup> It must be pointed out that Kempson and colleagues have been at pains to stress that other academic and policy work, such as that reviewed earlier, has made a stronger connection between poverty of financial infrastructure provision and social and financial exclusion. In addition, as part of a recent major overhaul of the Banking Code Kempson has succeeded in persuading the industry to revise its rubric on branch closure so that 'the radius for the extended notification for closure of last branches should be reduced to one mile in urban areas and no more than four miles in rural ones, *with the Guidance making it clear that this distance is by road, not as the crow flies*' (Kempson, 2004, page 5, emphasis added)..

<sup>4</sup> Both in terms of not compelling individuals to take up bank accounts and by not compelling banks to serve markets they do not wish too.