



Bow Blog: **Into the Unknown, Why I Finally Switched Banks...**

July 2020

Till Death Do Us Part

Looking at the UK statistics, it's easy to conclude that the era of lifelong commitments is over. Employees stay in a job for an average of 4.5 years before moving onⁱ, nearly 42% of marriages end in divorceⁱⁱ and we typically move house multiple times during our life, the average is 23 years per property before packing up and moving onⁱⁱⁱ. Maybe we just focus our lifetime loyalty elsewhere? When it comes to our relationships with our banks, 75% of customers never consider changing. This is despite the government's efforts to increase competition within the industry and marketing efforts by the banks to attract new customers.

It is estimated that only around 1.4% of UK adults switch their bank account in any given year^{iv}. When questioned, the majority of customers say that they are staying put because they are satisfied *enough* with the services of their current bank. Those who are dissatisfied are put off by the perceived hassle of switching. Perhaps more importantly, they hardly see the point. **At first glance, banks and their services all seem alike. But are they?**

Looking Behind the Façade

Current bank accounts are not all created equal. It is now easier than ever to find a bank account that is best suited to individual needs, whether your priority is overdraft capacity, savings rate, cash back on purchases or other considerations. Comparison sites, such as 'Money Supermarket', 'Uswitch' and 'Which?' offer an easy way to compare various accounts with high-street banks.

Even so, I have to admit that the prospect of earning 0.1% of cashback on my purchases or similar perks has never come close to giving me the push I needed to ditch my bank. Neither did the £200 sign up bonuses offered by some of the competition. I opened my bank account a long time ago. At the time, my main consideration was that the bank's local branch was conveniently located within three minutes' walk of my flat. I liked the bank's mobile app, I never queued more than five minutes if I had to speak to someone in the branch and the bank never misplaced my money (as far as I'm aware!). I felt at home in my local branch, with its glass and marble interior and an impressive façade. In short, it never occurred to me to question whether the bank I chose all those years ago was still the best bank for me. Until, a few months ago, I came across an article detailing the loans my bank made to companies involved in arms trade, bomb making, tar sands mining, ultra-deep sea drilling, fracking and a host of other activities which have social and environmental consequences I am not comfortable with.

The deeper I dug, the more unsure I became about some of the practices of the high street banks, including the one my banking sat with. I no longer felt I could simply deposit my money and trust that my bank would do *the right thing*. Of course, such a concept is personal to each of us, but for me, that what I considered as minimum ethical standards and what my bank practiced day to day were simply too far apart. I also realised that, alongside my desire for sustainability to influence all my financial decisions, switching my account could be one of the more effective ways of maximising my personal impact, in terms of causes that I care about.



Around 4/5 of all current accounts in the UK are held at one of the “Big Five” banks, that is HSBC (inc. First Direct/M&S Bank), Lloyds (inc. Halifax/Bank of Scotland), RBS (inc. NatWest/Ulster Bank), Barclays and Santander. Despite being the chosen by c.80% of consumers, these banks have repeatedly received poorest scores by websites such as Ethical Consumer based on factors including tax avoidance and questionable investments^v.

The Grass Really is Greener on the Other Side

I started looking at alternatives. It turns out that in the UK, we are not blessed with a great choice of ethical current accounts and comparing bank accounts is quite challenging. Many banks do not openly disclose where they invest, but having said that, some of the high-street banks do appear more committed to ethical practices than others. Additionally, new alternatives to traditional banking have cropped up, including app-based banks and Triodos, an explicitly ethical bank founded in the Netherlands. The ‘Ethical Consumer’ and ‘Good with Money’ websites are helpful sources of information on ethical standards. Their analysts evaluate the bank’s investment policies to determine whether they support (directly or indirectly) animal testing, fracking, the fur trade etc. They also investigate the bank’s records relating to tax avoidance.

It is noteworthy that many building societies do ‘tick the ethical box’, because of the strict regulations that they are subject to. They are required to hold at least ⅓ of their assets in residential property mortgages. Unlike banks, whose purpose is to deliver profits to external shareholders, building societies’ profits are re-invested to benefit borrowers and savers. They are owned and managed by their members, who have voting rights and ability to stand for election to the Board. This gives members significant influence over what the building society invests in. The result is that building societies are more likely to avoid controversial investments and are generally considered more

ethical than the high-street banks. Building societies which are regarded as above average in terms of their ethics include Coventry, Cumberland, Leeds, Norwich, Peterborough and Nationwide. To find your local building society, you can search the [Building Societies Association](#) website.

After some deliberation, I decided to take the plunge and leave my current bank in search of something that did not make me feel uneasy whenever I peeked behind the curtain. But where should I go instead? Some of the options I considered included Ecology Building Society, Charity Bank, the Salvation Army's Reliance Bank, Credit Unions, Sharia Banks, Monzo, Revolut, Starling, the Cooperative Bank, TSB, Handelsbanken and Triodos. To allow me to compare these options more easily, I put together a summary of what these banks offer (see the appendix if you are interested in the key points).



And the Winner Is....

After some soul searching and lots of research, I opened a current account with Triodos, widely regarded as one of the most ethical banking options in the UK. The process of opening the account was quite straightforward, an application form online plus signing the terms and conditions (which were posted to my home address). Within a week of applying, I had a debit card (biodegradable, recyclable and made of 100% renewable resources of course!) and full access to my new account. I'm not terribly fond of poring over the small print and I felt that Triodos made the application fairly painless. Even the T&Cs that I have been sent were readable, at less than two pages. I have now been banking with Triodos for nearly a year and I'm glad to have made the switch. The ethos of the bank is a much better fit for me than the bank that I was with, not surprising given it was a more considered choice. In terms of the day to day experience as a customer, I've had no issues so far. I worried that the lack of branches would be a problem if I needed assistance from my bank, but when I had to get in touch with them to report a fraudulent transaction online, my issue was solved quickly without me having to get up from my sofa.

I have young twins and frankly, I would rather read Peppa Pig for the 10th time than spend my evenings reading investment reports, to check which financial institutions in

the UK operate in line my values. I wasn't unhappy with my old bank, but once I became aware of some of its questionable practices, I started to feel complicit. I was compelled to do something about it, so I could regain peace of mind. Having dived in, I now find it rewarding to know that all cash held in my bank account will be used to help make positive change. Selfishly, I wish that all banks subscribed to my set of values and used their investments and loans to support the causes I care about. Clearly, this is unrealistic, but I'm pleased that at least there are banks that are different, so everyone can find a bank that is the right fit for them. And even if it involves a bit of work, the effort is well worth it.

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ⁱ <https://www.recruitment-international.co.uk/blog/2017/12/employees-staying-average-of-4-dot-5-years-in-a-job-finds-bps-world#:~:text=Employees%20staying%20average%20of%204.5%20years%20in%20a%20job%2C%20finds,quickly%20to%20their%20next%20role.>

ⁱⁱ <https://www.crispandco.com/site/divorce-statistics/>

ⁱⁱⁱ <https://www.zoopla.co.uk/discover/property-news/how-often-do-we-move-house-in-britain/>

^{iv} <https://thefinanser.com/2018/02/even-bribe-no-one-switches-bank-account.html/>

^v <https://www.ethicalconsumer.org/money-finance/shopping-guide/current-accounts>

Appendix: Summary of Some of the Key Banking Options Available in the UK Outside of the 'Big Five'

	Key facts	Strengths	Proposition	Weaknesses
Ecology Building Society	<ul style="list-style-type: none"> Earns money from customers depositing funds into savings accounts. Lends this money to projects aiming to achieve carbon reductions and environmental impact Prioritises ecological housing, eco-friendly building practices, sustainable community lifestyles <p>Typical projects:</p> <ul style="list-style-type: none"> Bringing derelict/disused properties back to life Building new properties to 'a recognised ecological standard' Introducing energy saving measures for existing homes 	<ul style="list-style-type: none"> Good reputation for savings and mortgages A Foundations Share savings account tops the Ethical Consumer's list of most ethical saving accounts Mortgage for an eco-build is the most ethical mortgage on the market according to Ethical Consumer 	<ul style="list-style-type: none"> Easy-access savings account Regular saver account 90-day notice account Cash ISA Mortgages 	<ul style="list-style-type: none"> Full data on where it lent to is not available No current account on offer Interest rates moderate, lower than the Big Five banks No UK branches. Accounts can be managed either online or by post
Charity Bank	<ul style="list-style-type: none"> It's a charity, completely owned by 'charitable foundations, trusts and social purpose organisations' Uses money from customers' savings and lends it to charities, social enterprises or organisations with a charitable purpose Unlike Triodos or Ecology, focuses on social purpose, rather than environment 	<ul style="list-style-type: none"> Committed to transparency - publishes a list of all the borrowers and loans it has funded, as well as all the investments Impact: claims to have helped over 1,000 charities and community organisations and improved the lives of 3.5 million people 	<ul style="list-style-type: none"> Ethical Notice Accounts Ethical Notice Cash ISA Ethical Easy Access Accounts Ethical Notice Credit Union Accounts Loans to organisations with a social purpose 	<ul style="list-style-type: none"> Accounts can be opened online, but they can only be managed by post. Interest rates moderate, lower than the Big Five banks
The Salvation Army's Reliance Bank	<ul style="list-style-type: none"> Prioritises business lending to charities, businesses and not-for-profits delivering positive social impact in the UK Up to 75% of profits go to The Salvation Army 	<ul style="list-style-type: none"> Solid ethical option if you are looking for an ethical mortgage on a standard house Managed to avoid most of the banking scandals (PPI mis-selling, customer complaints to the financial ombudsman, regulatory fines, the Libor scandal etc) 	<ul style="list-style-type: none"> Ethical Cash ISAs Notice Savings Accounts Mortgages (Social Impact Mortgages, First Time 	<ul style="list-style-type: none"> Interest rates moderate, lower than the Big Five banks Online and telephone banking only (only one branch in the UK, in London), with the ability to pay in

	<ul style="list-style-type: none"> No credit cards (they are seen as potentially encouraging social problems) Based on evangelical Christian principles, seen by some as gay-unfriendly 	<ul style="list-style-type: none"> Stayed profitable during the 2008 financial crisis Solid internal capital ratios and financial safety cushions to reduce risk Limits staff bonuses to up to 10% of salary to prevent abuses 	<p>Buyer, House Purchase, Re-mortgage)</p> <ul style="list-style-type: none"> Loans Current Accounts Instant Access Savings Accounts 	<p>through a nominated high street bank</p>
Credit Unions	<ul style="list-style-type: none"> Popular in the UK, around 400 operate throughout the country Run by their members, as financial co-operatives, not for profit 	<ul style="list-style-type: none"> Free of most of the ethical controversies that affect mainstream banks Help people on low-incomes access credit Facilitate access to banking for people who have been rejected by mainstream banks 	<p>Products available vary from one credit union to another, but typically include:</p> <ul style="list-style-type: none"> Savings accounts Loans Some offer Cash ISAs Some offer current accounts – check here 	<ul style="list-style-type: none"> Interest rates moderate, lower than the Big Five banks Limited products Debit cards, mobile apps etc are not available in some credit unions Most offer no overdraft facility Many accounts come with monthly fees and other charges
Sharia Banks, such as Gatehouse; Al Rayan; Bank of London & Middle East; United Bank UK	<ul style="list-style-type: none"> Based on Sharia principles. Interest is forbidden. Instead, accounts pay an EPR (Expected Profit Rate). In practical terms, there is little difference for an average consumer Investments in “haram” companies or sectors (such as those linked to alcohol, firearms, gambling and tobacco) is forbidden Accessible to all customers of any religion (and atheists!) 	<ul style="list-style-type: none"> Offer solid returns on savings, compared to mainstream banks Sharia banks have a reputation of safety. Investments must be backed by something tangible and banks try to stay clear of 'excessive uncertainty' or speculation 	<ul style="list-style-type: none"> Ethical and Sharia-compliant current accounts Easy access accounts Notice accounts Fixed term deposits Fixed term cash ISA Easy access ISA Home purchase plans (alternative to mortgage) Buy to Let 	<ul style="list-style-type: none"> Full data on where they lend to is not available Returns on savings are not guaranteed (although EPR is almost always met) Controversy over whether application of Sharia law in the UK should be supported, as some Sharia principles are incompatible with UK law, particularly when it comes to treatment of women and children
Challenger Banks, including Monzo, Revolut and Starling	<ul style="list-style-type: none"> App-based Popular among under-30s 	<ul style="list-style-type: none"> Highly-rated by Ethical Consumer Managed to avoid many of the ethical issues linked to mainstream banks Offer analysis of spending, to help consumers monitor spending habits. For instance, the Monzo app sends alerts 	<ul style="list-style-type: none"> Personal current accounts Business current accounts Loans 	<ul style="list-style-type: none"> Only app based, so quite limited Interest rates moderate, lower than the Big Five banks No information about environmental policies

		<p>when bills increase and even suggests cheaper alternatives</p> <ul style="list-style-type: none"> • Relatively transparent operations • Offer good security measures such as Touch ID/Fingerprint scan • Consumers are encouraged to provide feedback, apps are continually developed to meet customers' needs • Some (e.g. Revolut) excel on ForEx 	<ul style="list-style-type: none"> • Travel and phone insurance • Travel debit cards 	
The Co-Operative Bank	<ul style="list-style-type: none"> • The only high street bank in the UK with an explicit ethical policy • Ethical policy is continually finetuned in response to feedback from customers • Recent projects: <ul style="list-style-type: none"> ✓ Raising £1m for charity Centrepont (homeless youths) ✓ Launching campaign to help those affected by financial abuse ✓ Set a target for 40% of senior roles filled by women by 2020 ✓ Launched a project supporting development of the UK's social enterprise sector 	<ul style="list-style-type: none"> • Highly rated by Ethical Consumer • Not linked to the sale of arms to Israel • Does not lend to gambling or payday loans companies and companies that are involved in tax avoidance • Does not invest in fossil fuels • Does not invest in companies which test their products on animals • Does not lend to companies with questionable labour practices • Offers solid current accounts available, with decent interest rates 	<ul style="list-style-type: none"> • Current accounts • Savings • ISAs • Loans • Credit cards • Mortgages • Insurance • Pre-paid funeral plans 	<ul style="list-style-type: none"> • Bank went through a difficult period and had to be rescued by hedge funds. Some analysts are questioning whether this will "water down" their ethical standards in future • Only about 100 branches remain after half were shut • Interest rates are lower than at the Big Five banks
TSB	<ul style="list-style-type: none"> • Focuses on retail banking, does not offer investment banking or corporate finance • Aims to become the UK's "local bank" by lending money to local people and small local businesses • All profits are reinvested in the bank, or paid out to shareholders 	<ul style="list-style-type: none"> • Convenient, with presence on many UK highstreets. Also offers online and telephone banking and all the standard banking products and services • Competitive savings rates 	<ul style="list-style-type: none"> • Current accounts • Savings • Mortgages • Insurance • Loans • Credit Cards 	<ul style="list-style-type: none"> • Scores poorly in the ethical ranking produced by Ethical Consumer • Interest rates lower than Big Five • Reputation badly affected by the mis-selling scandal • No explicit ethical policy • Suffered a major IT issue in 2018

Handelsbanken	<ul style="list-style-type: none"> • Swedish bank, operating in the UK since 1982 • Explicitly focuses on customer satisfaction as one of its main priorities • Over 200 decentralised, independent branches • Aims to promote responsible lending 	<ul style="list-style-type: none"> • Branches run independently and empowered to make lending decisions • Dedicated account manager per client • No PPI mis-selling claims, few complaints to the ombudsman on record • Staff have no sales targets and no performance-based bonuses • Does not spend much on marketing 	<ul style="list-style-type: none"> • Mortgages • Savings • Wealth Management • Current Account • Business accounts 	<ul style="list-style-type: none"> • Because of personalised service, every customer is treated individually, with different rates on mortgages, loans and savings accounts. That makes the offering difficult to benchmark against other banks, but data from customers suggests that interest on savings is lower than at the Big Five Banks
Triodos	<ul style="list-style-type: none"> • Established in the Netherlands in 1980 • Very strict investment policy, lends exclusively to companies or projects which have a long-term positive impact and focus on “people, the environment or culture” • Blacklists companies linked to arms trade, tobacco, pornography, fur, fossil fuels, animal testing and inhumane farming methods • Typical projects include wind farms, organic farms, fair trade companies, social housing, community projects, sustainable energy, arts and culture, healthcare, microfinance, sustainable heat, electric vehicles and energy efficiency 	<ul style="list-style-type: none"> • Committed to total transparency. Details of every project it has lent to are published on their website • Doesn’t rely on borrowing from other banks, minimising exposure to markets • No performance-related bonuses to its employees, in an effort to prevent staff from “pushing” products onto customers • No automated call centre. Instead, humans will pick up all incoming calls • Committed to minimising the environmental impact of its operations, including the physical premises and even the bank cards it issues • Treats security seriously and offers solid biosecurity features on its app • Publicly discloses all investments 	<ul style="list-style-type: none"> • Current accounts • Ethical Cash ISAs • Ethical savings accounts • Savings accounts for children • Charity Saver account where you can donate 0.25% of the annual balance of your account to one of ten charities • Fixed-rate bonds 	<ul style="list-style-type: none"> • No UK branches. Accounts are managed online or through an app • Interest rates offered are lower than those at the Big Five Banks • Cash cannot be deposited into the account (although cheques can) • Current account incurs a fee of £3 per month. This is due to the bank’s policy of no hidden charges and its commitment not to rely on penalties for unauthorised overdraft

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