OCTOBER 2012

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THE GUIDE

to Sustainable Banking

"IT IS WELL ENOUGH THAT PEOPLE OF THE NATION DO NOT UNDERSTAND OUR BANKING AND MONETARY SYSTEM, FOR IF THEY DID, I BELIEVE THERE WOULD BE A REVOLUTION BEFORE TOMORROW MORNING."
HENRY FORD

blue&green tomorrow

About
BLUE & GREEN TOMORROW

Essential intelligence on sustainable investing and living
Blue & Green Tomorrow wants to support innovative businesses that balance the needs of the planet, its people and our prosperity.

We aim to provide our readers with the knowledge they need to make informed choices without prejudice, scaremongering or greenwash.

We want the world to be as blue and green tomorrow as it was yesterday.

We believe that everyone can play a part and anyone can make a difference. Not by going back through misplaced nostalgia to some bygone age, but by striding out to a bright new future in which we take advantage of the new approaches that can improve our quality of life, the food we eat, the air we breathe, the water we drink and the land we live on.

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LIFE IS FOR LIVING WITHOUT COSTING THE EARTH. THERE IS NO PLAN (ET) B.

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[THE GUIDE TO SUSTAINABLE BANKING]

OCTOBER
2012

foreword

Up until this year, I banked with HSBC. I'd done so since receiving a shiny red money box from them at the age of seven. It wasn't indoctrination; it was just a free money box to keep my pocket money in. I opened an account with them, and all was well.

In fact, banking back then – The Dark Days, as I now call them –was just an obligatory facet of life for me. Even up to the point where I was finishing university, I barely had any dealings with my bank. But we maintained a good relationship; I earned money from my summer job at a call centre, and it kept hold of it until I needed to buy the next edition of Football Manager. Again, all was well.

But things changed 12 months ago.

Until that point, switching banks hadn't entered my mind in my entire life. I was already snowed under from putting off university work until the last minute, so why would I need the extra hassle?

I'd never heard of an ethical bank before, let alone what one was. Part of me – in The Dark Days, this is – actually liked being a customer of one of the biggest banks in the world, especially the supposed "world's local bank".

But after doing some digging for an article I was writing at the time for Blue & Green Tomorrow, my outlook changed. I learnt that my naïve attitude – thinking that my money was simply sitting in the bank, waiting for me to spend it – couldn't be further from the truth.

Instead, the big banks were investing it in some of the most unethical industries imaginable – ones that contribute to environmental degradation, resource scarcity, wars, pollution and even death. And industries that anyone with morals and ethics shouldn't want their money to go towards.

Add this to their disproportionate executive pay structures that don't filter in financial performance, their aggressive tax avoidance and their incredibly poor showing in any kind of customer satisfaction survey, and the picture that's painted is not pretty, never mind ethical.

But at the same time, I came across the alternatives, and this is where The Guide to Sustainable Banking comes in.

A million miles away from the multinational investment banks that caused the financial crisis are hundreds of dedicated ethical, sustainable and responsible institutions that consider the planet and its people as equally important as profit.

They invest in industries that are making a real difference, as well as charities and local businesses – all of which leave their mark on the planet, and not their footprint.

According to Move Your Money UK, half a million people have switched to these alternatives since January, with the recent money laundering and rate-rigging scandals having a profound effect on the customers of big banks.

So what I request of you is to read our Guide and then ask yourself this question: am I with the right bank? If the answer is "no", then do something about it – switching is far easier than you might think.

I now open my wallet and see a shimmering blue Co-operative Bank debit card. The HSBC one is no more, and the shiny red money box is stored away in a cupboard as a reminder of The Dark Days.

I call this next chapter The Good Bit.

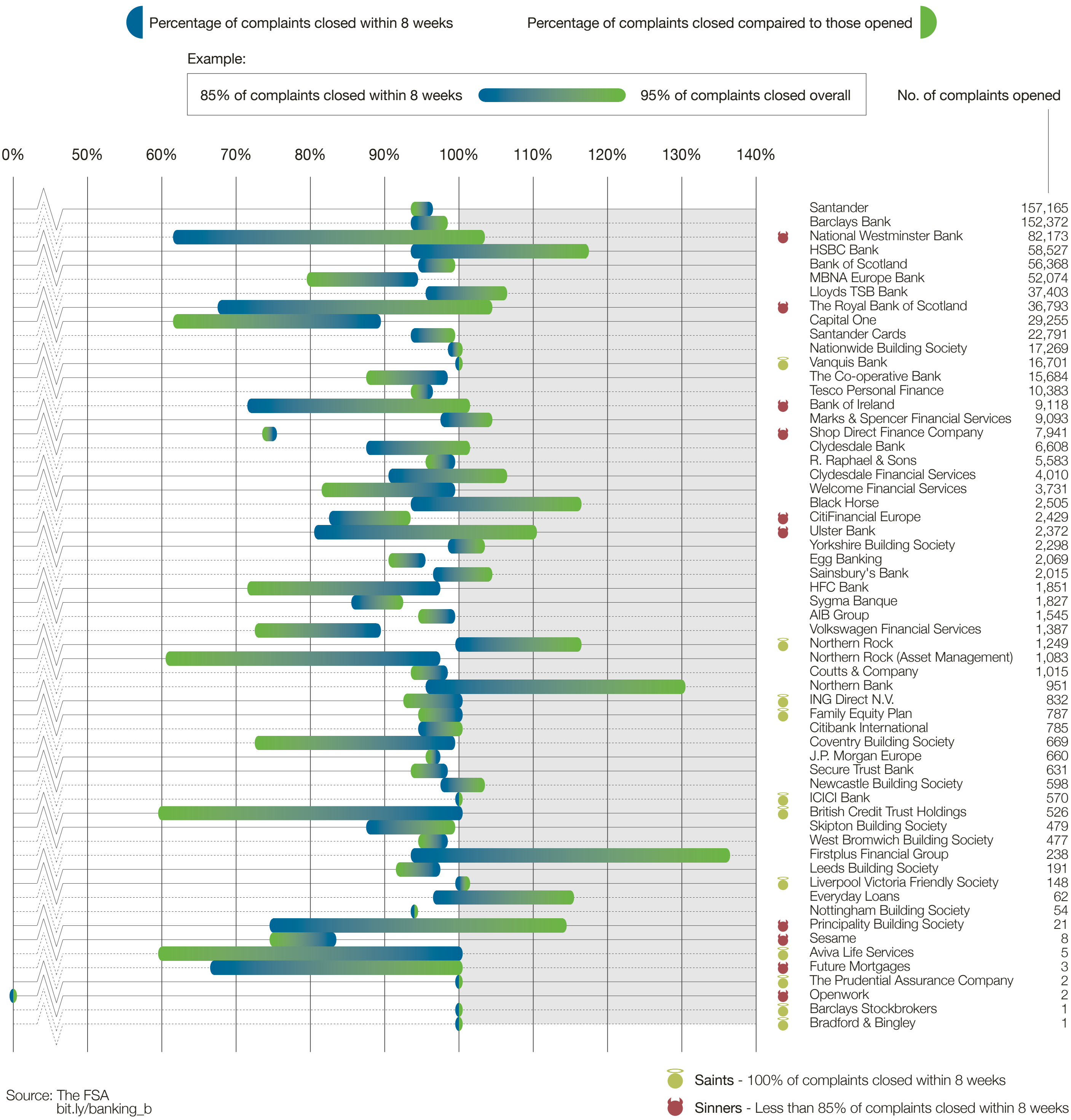
Alex Blackburne

EDITOR, BLUE & GREEN TOMORROW

IS IT TIME TO SWITCH? HOW DOES YOUR BANK PERFORM IN THE COM-PLAINT LEAGUE TABLE?

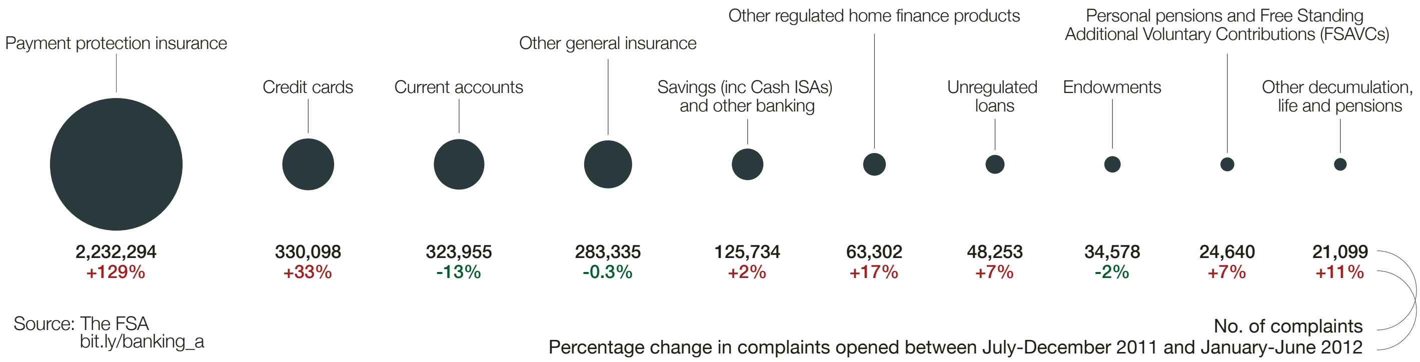
THE MOST COMPLAINED ABOUT FIRMS AND PERCENTAGE OF COMPLAINTS CLOSED*

*Complaints opened and closed recorded over a six month period between 01 Oct 2011 and 30 Jun 2012, (see source for details). Complaints closed may exceed those opened as this may include complaints opened previously.



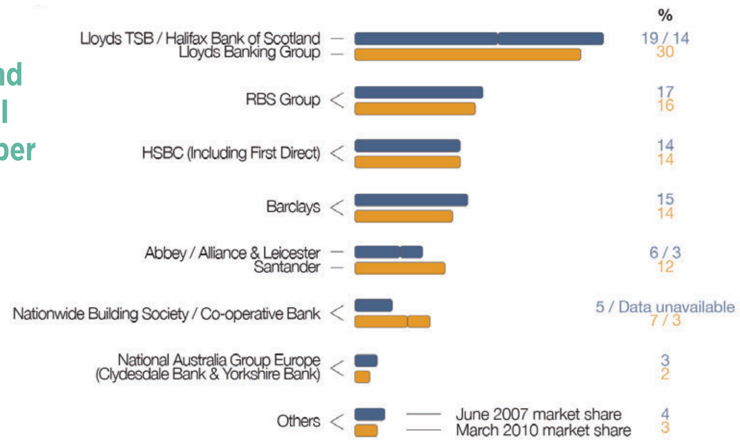
Source: The FSA
bit.ly/banking_b

THE TEN MOST COMPLAINED ABOUT FINANCIAL PRODUCTS (JANUARY TO JUNE 2012)

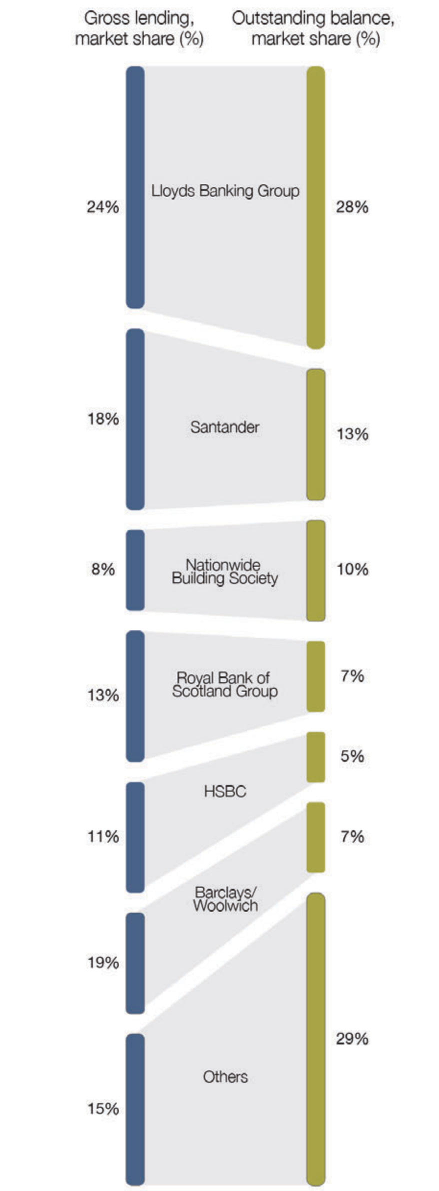


Source: The FSA
bit.ly/banking_a

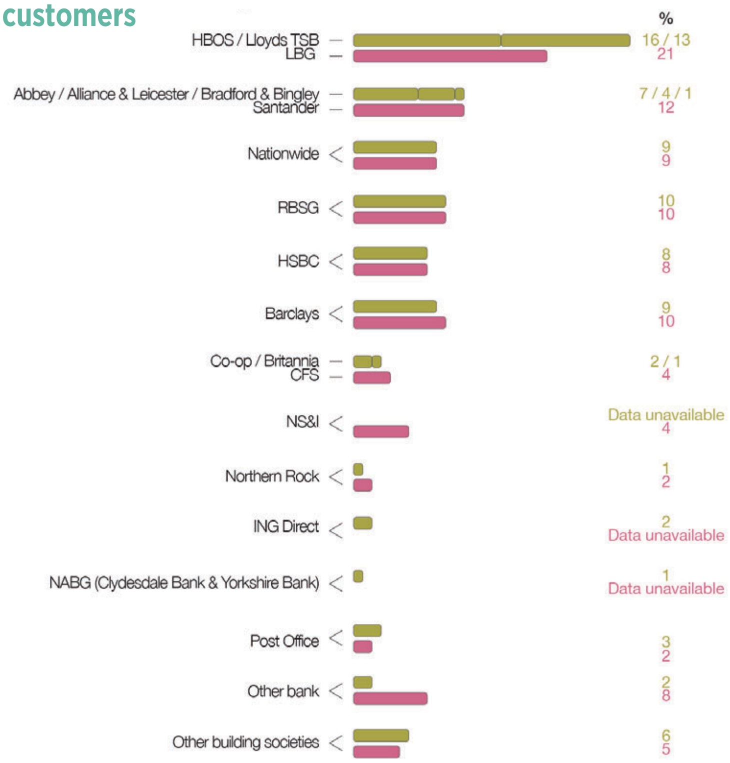
PCA market shares pre - and post - financial crisis, by number of customers



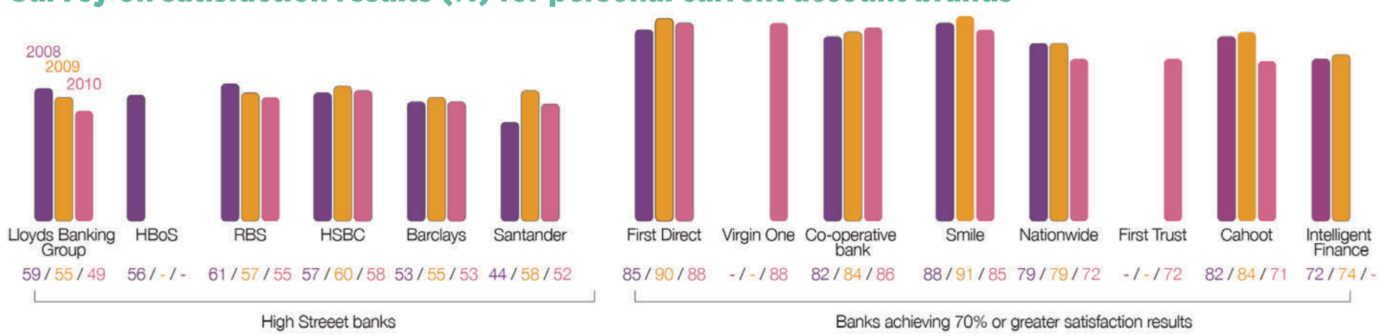
GROSS LENDING AND OUTSTANDING BALANCES, 2009



Saving accounts market shares pre-and postfinancial crisis, by number of customers



Survey on satisfaction results (%) for personal current account brands



Write for us....

Whether anonymously, under a pseudonym, or with your name published loud and clear.

Journalism is changing rapidly through a digital and social media revolution. It is no longer the preserve of press barons and elite groups; journalism is now democratic and everyone has a voice.

And though that means there's a lot of noise and rubbish out there, there's a lot of great stuff, too.

The role of media has changed. We still write stories every day about the amazing people and organisations that make a positive difference to the world in which we live, but we also promote and publish the most relevant blogs, tweets and articles from our readers.

We want to report on the diverse voices of our audience and beyond—regular people writing as travellers, investors and consumers.

So, if you blog, tweet or write about sustainability we want to hear from you. You don't need to be an experienced or aspiring writer or worry about article length, spelling or grammar—we'll tidy that up for you.

We can't publish everything, but if it's likely to resonate with our readers or challenge them in some way, you'll fly to the top of our list.

Join us today by emailing
editor@blueandgreentomorrow.com
with your thoughts and contributions.

blue&green tomorrow

Essential intelligence on sustainable investing and living

USE YOUR POWER, VOTE WITH YOUR FEET AND MOVE YOUR MONEY

IN FEBRUARY THIS YEAR, DANIELLE PAFFARD FOUNDED MOVE YOUR MONEY UK – A CAMPAIGNING ORGANISATION THAT AIMS TO PERSUADE CONSUMERS TO SWITCH TO ETHICAL BANKING OPTIONS. IN LESS THAN A YEAR, IT HAS BECOME ONE OF THE MOVEMENT'S BIGGEST AND MOST RESPECTED VOICES. BLUE & GREEN TOMORROW CAUGHT UP WITH PAFFARD, WHO SPOKE ABOUT ENCOURAGING PEOPLE TO BANK ON SOMETHING BETTER.

There's a campaign video on Move Your Money's website that includes a scene from Mary Poppins. In it, the elder Mr Dawes is encouraging the aptly-named Banks children, Jane and Michael, to "invest [their] tuppence wisely in the bank".

Their father, who works with Mr Dawes, joins in: "Now, Michael, When you deposit tuppence in a bank account, Soon you'll see, That it blooms into credit of a generous amount, Semi-annually", he sings.

The video outlines to viewers that there are alternatives to these profit-driven high street banks, and encourages them to move their money – something that an overwhelming amount of people are doing in the UK.

"The shift has been absolutely amazing", describes Danielle Paffard, founder of the Move Your Money campaign.

"We estimate that since January, half a million people have moved to ethical banks, and we've also seen a 15-fold increase in traffic to our website in the past few weeks."

Not bad for an organisation that is still in its infancy. But the fact is that the UK ethical banking community has longed for a uniting public body like Move Your Money – one that can stand at the forefront of the movement to effect real change.

And that's exactly what it has done.

"What's really interesting is that we have had banking scandals before in the UK, and we've had outrage towards banks, but before it has just been outrage", Paffard explains.

"What's been incredible in the last few months is the huge shift in public perception about what can be done about it. It's the first time that anger has actually led to real tangible action and

WE ESTIMATE THAT SINCE JANUARY, HALF A MILLION PEOPLE HAVE MOVED TO ETHICAL BANKS

Danielle Paffard founded Move Your Money UK in February 2012.

if you look at the coverage that the campaign has got and the exposure to this idea across all major broadcasters, it's a question that people are now asking themselves, and that's a real shift, which is just brilliant and we expect to keep on going."
Representatives of the Move Your Money campaign have appeared on television numerous times – on Newsnight, The One Show and Daybreak, to name a few programmes – and in national newspapers such as The Guardian, The Telegraph and The Daily Mail. It has a strong presence on social networking sites such as Facebook and Twitter, and thus, has developed an admirable reputation in the alternative financial sectors as the voice of the citizen.
The need for such an organisation is quite clear. The financial power held by high street banks means they're often credited with causing some of the biggest problems that the UK currently faces. Supporting local, mutual and ethical alternatives is therefore seen as the only sustainable direction – and in some countries in the world, these alternatives make up over 50% of the financial services industry.
"Our current banking sector isn't fit for purpose", Paffard claims.
"We've seen the crash of 2008, scandal after scandal, horrendous misbehaviour and basically corruption from the big banks over the past few months, and the government and the regulators aren't taking appropriate action to fix it and are absolutely toothless in the face of these big banks.
"Something needs to be done; we can't go on with this system that is costing citizens and society so much. We need a better banking system and we think the only way to catalyse the change that we really need is for people to start voting with their feet and supporting these alternatives and making it a strong, viable sector that caters to the needs of households, communities and the wider society."
Paffard is quick to point out, though, that the alternatives to mainstream banking stretch way further than individuals might think. As well as dedicated ethical banks, there are building societies and credit unions that also form part of the alternative banking sector, because they are owned by their members rather than shareholders, and only invest locally to support community development.
"I think the differences ȿbetween the big banks and the alternative sectorɁ are so fundamental, both in the way their businesses are structured and the motivators. The ethical banking sector is fundamentally different because it's not exclusively profit-driven. And while it is after profit, it has other drivers and there are other factors to it, so sustainability and social responsibility are taken into account.
"HSBC has been investing in some of the most appalling companies across the world and

WE'RE ALL FED UP WITH THE BIG BANKS; WE KNOW THEY'RE NOT WORKING

laundering money which is absolutely obscene. It's therefore quite hard to pinpoint specific differences between the two sectors because I believe the differences are so fundamental and are determined by the very make-up, nature, core principles and governance structure of the bank itself."

It's quite hard to comprehend what goes on behind the scenes at some of the big banks – especially when you do compare them to the dedicated sustainable institutions – and they are doing all they can to ensure regulation swings in their favour. A recent report from the Bureau of Investigative Journalism showed that the British financial services industry is spending almost £100m a year on lobbying against banking regulation in the City of London.

"We know that they're not worried that the regulators are going to come out and push some harsh criteria down, because they've pumped so much money into making sure that doesn't happen", says Paffard.

"We've seen the report highlighting the influence banks have on government and how much money goes into lobbying, so the banks aren't worried about regulators. They'll just be sitting tight and hoping it blows over. What's really exciting about citizen action is that they can't do that, though. If the citizens start reacting, I imagine they must be quite scared."

In the last 12 months, one gets the impression that a real change is happening to the UK banking sector. Never before has the public felt so disengaged and disenchanted by their bank, but equally, never before has there been such an abundance of ethical, sustainable and responsible alternatives to switch to.

Customer dissatisfaction, according to consumer group Which?, is rife amongst the biggest UK banks, with all the high street institutions scoring lower than average in a satisfaction survey. Another Which? survey found that two-thirds of people (67%) think that bankers will not lose their job if they lie or cheat – a sign of the tumultuous times if there ever was one. It remains to be seen how long the big banks can get away with reckless spending, manipulation and poor service.

"With the depth of public anger and the instability of the banks, I suspect the economic system is going to be increasingly unstable and untrusted, and I think we could see a huge and unexpected escalation in the number of people moving", predicts Paffard.

"This change will eventually cause the big banks to change as well. We do believe in equality in finance – we do need some big banking institutions – but those wouldn't necessarily look like anything we've got today.

"The alternative sector is economically and socially responsible; it's stable; it caters properly to all sections of society; and it's transparent, accountable and effective. We're all fed up with the big banks; we know they're not working. There is something that you can do, and it's something you have to do.

"If you've ever dissatisfied by the state of banking in the UK, use your power, vote with your feet and move your money."

SOMETHING NEEDS TO BE DONE; WE CAN'T GO ON WITH THIS SYSTEM THAT IS COSTING CITIZENS AND SOCIETY SO MUCH

MYM
bank on something better

www.moveyourmoney.org.uk

HELP CROWDFUND OUR NEXT THREE REPORTS

At Blue & Green Tomorrow, we believe in great long-form journalism. Journalism that is evidence-based, impartial, optimistic and responsible. But, great journalism costs and advertisers often want to pay for favourable or 'bad' journalism.

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Sustainable Investment Building on the success of our first Guide to Sustainable Investment we interview the thought leaders in this rapidly growing sector during National Ethical Investment Week Ethical Shopping In the build up to the busiest shopping period of the year, we explore what to buy for family and friends without costing the Earth Responsible Media Post-Leveson ,what does a media landscape look like that informs, educates and entertains?

COMBINING SUSTAINABILITY WITH FINANCE FOR POSITIVE REWARDS

IN THE DAYS AFTER THE LIBOR RATE-FIXING SCANDAL BECAME PUBLIC IN JULY THIS YEAR, TRIODOS BANK WITNESSED A 51% SURGE IN ACCOUNT APPLICATIONS. THE TIDE IS CLEARLY CHANGING IN THE UK, SO BLUE & GREEN TOMORROW SPOKE WITH THE BANK'S MANAGING DIRECTOR, CHARLES MIDDLETON, ABOUT PRESENTING WELL-MEANING PEOPLE WITH PRACTICAL AND ETHICAL BANKING OPTIONS.

Charles Middleton describes Triodos as the "perfect solution" to his career, as it combines his experiences in banking with his personal morals and ethics.

Triodos Bank is a pioneer in European sustainable banking. Founded in 1980 in the Netherlands, it has grown to encompass Belgium, Germany, Spain and, since 1995, the UK. It forms part of a growing number of banks that place sustainability and ethics at the centre of their business model, and at a time when customer satisfaction with the high street lot is low, its presence is wholly welcome.

Its background is interesting. Set up with anthroposophical foundations – a philosophy created by the well-known Austrian thinker Rudolf Steiner – it derives its name from the Greek word for a threefold approach.

"It very much encompasses that awareness of society, the environment and finance, and we keep all three very firmly aligned in all business positions", explains Charles Middleton, the bank's managing director.

"So from the very start, Triodos has had that very clear ambition to use money in that conscious way for social and environmental purposes. And whatever we do, and in whatever form we are using money, whether it's for straight debt financing or investment or running funds to address certain issues in renewables or social activity, then that is always the underlying premise."

This places Triodos – and other dedicated ethical banks and building societies – in somewhat a privileged position. Since the financial crisis began in 2007, the biggest UK banks have had it tough. But the primary cause of this recession was down to the reckless lending and borrowing going on in these institutions. And because Triodos prides itself on being wholly sustainable, you could say the financial crisis has passed it by. Its customer base has increased and its balance sheet with it – but that's not to say the bank has necessarily enjoyed being an onlooker to the turmoil.

"Triodos has had a very good five years, but for a lot of individuals and businesses, it's been an incredibly traumatic time", says Middleton.

"I guess it does provide an opportunity to demonstrate a different kind of business model, so we've always been very clear that we will effectively run a model that is about raising money from real people and using only that money to lend to real projects. So that means we didn't get caught up in sub-prime lending, derivative activity, and all those things that effectively caused the demise of many of the mainstream banks.

"Our business model was very robust which allowed us to ride our way through the financial crisis. At the same time, we've seen a lot of increased interest in what we do, in terms of how we're using money to good effect, and also the model that we use. There's been a huge increased interest in what we're doing and a lot of growth across the group throughout the crisis. So from that end, it's been very positive."

So what's the key to Triodos' success? Well, for one thing, it's completely transparent. Customers and investors can see exactly what their money is being used for – almost the complete antithesis of some high street banks, who are often quite reticent to disclose which industries they're financially supporting.

On the Move Your Money campaign website is a rundown of some of the areas that the UK's big banks invest in, taken from Ethical Consumer's 2012 Banks & Building Societies Buyers-Guide. Barclays, for example, has investments in "everything from tar sands to cluster munitions", while HSBC is said to fund "the Arab Spring șandț the use of unconventional fuel". And Lloyds TSB, the Royal Bank of Scotland and Santander display similarly unethical balance sheets.

By contrast, an example of a company that Triodos invests in is Jamie's Farm – a project that looks to get young people who are struggling to remain part of the formal education system reengaged with their schooling by allowing them to work on a farm for a while. Run by Jamie Feilden, a graduate of the esteemed Teach First programme, the project has experienced a very positive success rate in getting pupils back into school. Triodos was part of a significant financing package early on in the project's life, and has stayed in close contact throughout.

"The other thing that is fundamental to our business is our approach to lending", says Middleton.

"We look for activity that is social and environmentally positive, but we also have very clear investing criteria that sit behind that. I phrase it that way because I think what's important is that we are looking for initiatives, activities, projects that are doing positive things and are impacting those areas that need some of the attention.

"Some banks will say that they have policies around specific areas to screen out activity – but again, it's not as thorough as we think it should be and at the same time it's not nearly as constructive as actually looking for interventionist things that could be done with money.

"We will tend to target things that we think are most challenging, and were supporting small-scale renewable energy when it was very, very unfashionable to do that, for example, because we saw that as an important intervention. We look for people and projects that are addressing that in a very professional and well thought through manner and we will look to support them."

It helps that Middleton himself is a passionate purveyor of this philosophy, and his influence has been central to Triodos' meteoric rise in the UK in recent years.

OUR BUSINESS MODEL WAS VERY ROBUST WHICH ALLOWED US TO RIDE OUR WAY THROUGH THE FINANCIAL CRISIS

But he hasn't always worked in dedicated ethical banking. In fact until 10 years ago, he worked for Barclays, as the bank's regional representative in India, Botswana and then the Caribbean. Given the recent media attention on Barclays for the misdemeanours of former chief executive Bob Diamond, Middleton offers an incredibly refreshing perspective on being the CEO of a bank.

"My reason for joining Triodos was because I had an interest and desire to take what I'd done and use it in a different way, and I really wasn't sure how that would work", he recalls.

"I had a few conversations with people in the charity sector, and what I realised was that I was looking for a way to use what I'd learnt at Barclays and a couple of experiences in India for instance, and I think Triodos was the perfect solution because I was able to carry on using the stuff I'd learnt but the underlying intent of the organisation was entirely different and absolutely aligned to where I wanted to go.

"It's been a very interesting journey for me as well in terms of understanding more about the area that Triodos works in, so I've had to really work at that and still do in fact. In that sense I think it's the motivation that is different – not to say that CEOs of commercial banks don't have an interest in making a difference in the world through finance – but for me it was the overriding interest, and I've been fortunate enough to find a bank that enables me to hold that ethic whilst still pursuing the use of finance because I'd spent a lot of time learning about it."

The day before Diamond handed in his resignation in the wake of

Triodos was part of a significant financing package for Jamie's Farm, a project that looks to get young people reengaged with education by allowing them to work on a farm run by Jamie Feilden (left).

the Libor rate-fixing scandal in July, Triodos opened three times as many accounts compared to an average day. Meanwhile, visits to the bank's website increased by nearly a quarter in the last seven days, and phone enquiries increased by over a fifth.

Middleton says that the biggest shift in behaviour for Triodos has been witnessed in the Netherlands and Belgium, where customers are acting upon their dissatisfaction with the mainstream banks and actively seeking ethical options. Whilst there has been a clear increase in awareness in the UK, he adds, the second and most important step – firm action in moving your money to sustainable institutions – is often at a premium.

"Our challenge is to provide options to people so they can decide in a more conscious way what they do with their money and do something about it", Middleton explains.

"Customers will come to us because we have a lot of expertise about what they do, and we'll be able to work with them to talk about the financing aspects. We also understand the nature of the sector and there is a fundamental understanding that we are genuinely committed to wanting these sectors develop and grow.

"That doesn't mean we will not be challenging, and that we will not question and argue through the business case, but we do have a fundamental common interest. We also go out our way, for example target businesses that are making a real impact and seeing what we can do to help."

So what about the future? It's clear that people in the UK are speaking up against unethical techniques that are being used by the mainstream banking sector. Investment in the sextet of sin (alcohol, tobacco, pornography, gambling, armaments and nuclear energy) and the lucrative fossil fuel industries, combined with excessive and disproportionate executive pay, have left customers feeling disengaged.

Institutions like Triodos Bank exist to reignite power into your finances. After all, it's your money – you should want to know what it's funding.

Middleton concludes by offering a rallying cry to encourage customers to not just seriously think about the sustainable banking option, but act upon it too.

"If you are somebody that is trying to do things in a more sustainable way – and that can encompass all sorts of activities, from whether you recycle, how you consume and what vehicle you drive – then what we do is provide an opportunity to think about finance in exactly the same way. If you consider just how fundamental finance is to our lives and our businesses, it almost seems really quite ridiculous in a way that the use of finance doesn't form part of that overall intent.

"What I'd really like to think is that people who do make that choice and do something with Triodos get that same level of content as they do in other sustainable aspects of their life. That's something we really try hard to do – to make people feel that experience, and we work really hard to connect finance with the projects. We let people see them, visit them and we let them talk at our annual meetings, so there really is that sense of engagement so that people can think that they're putting their money with a bank, getting paid interest, the bank is looking after it as a bank should do, and at the same time is deploying it in ways that people can really relate to and enjoy. It should be fun.

"People should move to Triodos if they want to get a decent financial return whilst genuinely experiencing their money being used in a positive way."

Triodos Bank
www.triodos.co.uk

A CHARITABLE BANK THAT IS OF THE SECTOR, FOR THE SECTOR

CHARITY BANK'S GEORGE BLUNDEN DESCRIBES HIMSELF AS "EITHER THE STUPIDEST OR THE NICEST CHAIRMAN OF ANY BANK". HIS REASONING? BECAUSE HE DOES HIS JOB WITHOUT BEING PAID A PENNY. HE SPOKE WITH BLUE & GREEN TOMORROW ABOUT HOW HIS ORGANISATION HAS BECOME ONE OF THE PRIMARY LENDERS TO THE UK CHARITABLE AND SOCIAL SECTORS.

One of the earliest signs in our interview with George Blunden that suggests Charity Bank isn't your average financial institution is his reticence to use the word 'profit'. Instead, the bank's chairman conveys delight in announcing his organisation had achieved its first ever 'surplus' last year, after a decade of steady growth.

The bank has come a long way since being launched by then-chancellor of the exchequer Gordon Brown at Downing Street in 2002. Since then, and up until May this year when its 2011 Annual Review was published, Charity Bank has issued 1,006 loans, valued at a total of £165m and supporting project expenditure of £353m. This, in turn, is estimated to have improved the lives of some 3.5m people across the UK.

"We've consciously built ourselves slowly, making sure that we lent sensibly and only into the charitable or social sectors", says Blunden.

"And we've been building the bank up gradually over that period of time, taking what other banks would think of as considerable risk, so lending to those that they think are unbankable that we consider to be a good risk. So our bad debts have been astonishingly low – less than 0.5% over the period – and in turn the bank has grown sensibly."

The ethic displayed by Charity Bank's chairman is a far cry from the commercial banks, which are often accused of possessing a 'growth at any cost' philosophy. This is shown clearly by the recent Libor rate-fixing scandal that took place at Barclays – the latest in a long line of misdemeanours involving the high street institutions.

Between January 1 and June 30 this year, Charity Bank welcomed 440 new customers – a figure 300% more than the same period in 2011. When the Libor scandal was at its most public, visitors to the bank's website and the number of savings account enquiries both doubled. This, Blunden says, is proof that action amongst UK customers is happening.

"I think people have got angrier and angrier about the traditional banks and the traditional banking system. They feel alienated and unwanted by their bank, and they want to go somewhere different.

"We talk about the community of Charity Bank, and invite all our depositors to open days and to events, and will take people out to visit projects. We want the people who deposit money with us to know what their money is doing."

Although it doesn't run current accounts, individuals can deposit money in savings accounts with Charity Bank in order to help fund the charitable and social sector organisations that it provides loans to. It doesn't partake in

George Blunden has been chairman of Charity Bank since 2010.

any commercial lending and, as its name suggests, is a bank specifically designed to aid the growth of charities. "We are of the sector, for the sector", describes Blunden.
So how does Charity Bank's model work then? Well, it will make a loan to an organisation for a set number of years. It will then charge a rate of interest that will generally be much lower than the organisation would receive if it went to a high street bank.
"We work with them to begin with to ensure that they are in the right state to take on that sort of financial commitment", says Blunden, describing the process.
"We have depositors who want their money to do something useful, but do actually want to be able to get it back at the end of the day, so it's not grant-giving to charities; it's helping charities fund projects earlier. Then they will repay the loan that we've made to them over a number of years.
"Banks generally find it very difficult to work out how they lend to the third sector and to charities, because most charities are not profit-orientated. They don't understand them, they can't see a commercial return coming out of them, and they're not attuned to the motives by which people run charities, and also things like almshouses or housing associations and the building of community centres.
"Very few banks in this space are geared to the sort of understanding that we bring when we are talking to someone who wants to borrow money to provide holidays for inner-city children to Devon or somewhere. That's not something that you'd expect an ordinary bank to be able to cope with."


Country Holidays for Inner City Kids (CHICKS) received a £300,000 loan from Charity Bank in February 2006.

WE WANT THE PEOPLE WHO DEPOSIT MONEY WITH US TO KNOW WHAT THEIR MONEY IS DOING

The example Blunden mentions – providing holidays to inner-city children – is just one of over 1,000 projects that Charity Bank has helped fund. Country Holidays for Inner City Kids (CHICKS), a registered charity that runs holidays in Devon and Cornwall for disadvantaged children from London and other cities, received a £300,000 loan in February 2006 to help buy a permanent base.
Another example is the community renewable energy project at Heron Corn Mill – a water mill that produces hydroelectricity in Cumbria, which was loaned just under £200,000 by Charity Bank to help fund the purchasing of a turbine in order to turn water from a nearby river into electricity.
When Blunden became chairman of the bank two-and-a-half years ago, he recalls how people were still wondering whether a bank that lent money into the potentially difficult charitable sector was a realistic business model. But, multiple industry awards later, it has more than proved its viability.
Perhaps the most interesting and admirable facet of Blunden's role, though, is that he is completely unpaid. To put that into context, Marcus Agius – the former Barclays chairman who quit amidst the Libor rate-fixing scandal in July– was reportedly paid £750,000 a year. The two institutions are clearly worlds apart in terms of turnover and principles, but it's the very fact that a chairman of an established bank can operate without a salary that sets the two on such contrasting sides of the spectrum.


Charity Bank provided a loan worth just under £200,000 to Heron Corn Mill, a Cumbrian water mill that produces hydroelectricity.

THERE ARE BANKS OUT THERE THAT ARE TRYING TO USE FINANCE AS A TOOL TO MAKE THE WORLD A BETTER PLACE. CHARITY BANK IS ONE OF THOSE

"I started life running children's adventure playgrounds, I was a community worker and I've also chaired a couple of large housing associations", Blunden says, looking back over a career that also encompasses investment banking and fund management.

"I've always had a desire to make sure that I put into the communities that I live in more than I take out. But I have worked in the financial sector and in the investment world, and Charity Bank was a wonderful opportunity to combine my financial background and skills with some of the things that I love the most."

When you see that there are almost 200,000 charities in the UK alone, added to the thousands of businesses and projects in the social sector, the scope for Charity Bank's work is huge. But it's down to depositors and investors to ensure that its longevity and impact remains.

"The people who deposit with us are generally people who have a little bit more cash than they have on a deposit account with a bank", Blunden says. "They are absolutely clear that they want their cash to do something useful rather than pay the bonus of some arbitrage trader in a big bank. We publish a list every year of all the people we're lending money to, and we encourage our bank depositors – who get the list of everyone who's borrowed – to go and visit the places where their money is working to do something useful.

"There are banks out there that are trying to use finance as a tool to make the world a better place. Charity Bank is one of those and I think statistically, people are more likely to get divorced than they are to move their bank account, and actually, taking money away from banks hurts them. So if you really want to change banks' behaviour, then being a little choosier about whom you deposit your money with might put the message across."

According to the Move Your Money campaign, an estimated half a million people have switched to ethical or sustainable banking options in the UK since January. And it's a common misconception that switching is an arduous process. It's not – especially given the technological advances that now allows customers to switch online with the click of a button.

To that end, Charity Bank's George Blunden is wholly optimistic for the future.

"I think that there is a growing trend, and it's not just in the UK, of banks realising that they need to work with and for their customers rather than just themselves. That is a change that is occurring and that people should encourage."

CHARITY BANK
www.charitybank.org

CHARITY, ETHICS, MORALITY AND BANKING: A MATCH MADE IN HEAVEN

BORN OUT OF THE FOUNDATIONS OF THE SALVATION ARMY IN 1890, RELIANCE BANK ABIDES STRICTLY BY CHRISTIAN, ETHICAL PRINCIPLES. SPEAKING TO BLUE & GREEN TOMORROW, ITS MANAGING DIRECTOR TREVOR SMITH URGES PEOPLE NOT TO SIMPLY ACCEPT THE STATUS QUO, AND TO INSTEAD OPT FOR A BANK THAT IS COMPETITIVE, EFFICIENT AND ABOVE ALL, RESPONSIBLE: CHARACTERISTICS THAT ARE CENTRAL TO HIS BANK'S BUSINESS MODEL.

Reliance Bank's managing director Trevor Smith worked for a high street bank for nearly 20 years, but left because the "immoral pressure" to sell products irresponsibly.

The Salvation Army is something of an institution in the British charitable sector. Once described as "Christianity with its sleeves rolled up", its popularity has burgeoned during its almost 150-year lifespan.
When it was established in 1865, like many charities at that time, its main concern was to fight heavily for the rights of the underprivileged and support the working classes in Victorian England. By 1890, it was already active in over 20 countries, and so its founder William Booth realised that even though its balance sheet was relatively tiny, by setting up the charity's own bank, he could harness the profits that would otherwise go elsewhere, and in a responsible way, use the funds to help finance its growth.
And so, The Salvation Army Bank was born.
Since the turn of the 20th century, it has operated as Reliance Bank, and is at a point now where 75% of its operating profits are transferred through Gift Aid to support The Salvation Army's charitable work in the community in the UK and overseas. Current managing director Trevor Smith – who has 30 years' experience in banking – explains how its workings are underpinned by conservative Christian ethical ownership.
"We don't want to follow the pattern of other banks where they pursue growth for growth's sake, so it is steady growth and it is sustainable growth", says Smith.
"We have a balance sheet of just a few hundred million pounds, so we know that we can't pursue the mass market because we don't have the resources, but we concentrate on the niche church charity sector.
"Our business is growing very nicely, particularly in the last two years, through charities and individuals who are frankly very disenchanted by the high street banks."
Smith is almost embarrassed to prefix the "few hundred million pounds" on his bank's balance sheet with the word "just", but when compared to the big players on the market – the HSBCs, the Lloyds TSBs and so on – the figure becomes almost insignificant.
A recent study by consumer group Which? found that the biggest banks have an 80% market share of accounts held by the general public. At the same time, though, customer satisfaction on the high street is

at a premium – something that has not been aided by the recent spate of financial scandals such as Libor rate-fixing and excessive executive pay. Former Barclays chief executive Bob Diamond, who resigned amidst the Libor saga, took home almost £21m in 2011, much of which was through the bank's remuneration scheme. This couldn't be further from the truth at Reliance Bank.

"A significant factor for us is that our total bonus pool for the last two years has averaged no more than £500 per employee", explains Smith.

"Staff work here because of the feel-good factor. They feel they are not just providing a banking service, but believe they are providing a banking service that helps fund the community work of The Salvation Army.

"We pay a reasonable salary – not an outrageous salary – we benchmark against the median salary of other small banks in the City, but we don't pay outrageous bonuses, they're very modest. Staff aren't driven by sell, sell, sell and targets. We're here to provide a service."

This customer-driven philosophy is central to Reliance's business model, and can be attributed back to the bank's Salvation Army origins, which famously provides support to people who are downtrodden and have been ostracised because of their age, sex, religion, nationality, disability and so on.

The bank offers accounts and products to both personal and business customers. Firms in the service industry, social housing providers and also building companies are amongst some of Reliance's business clients. However, shops that sell alcohol or tobacco wouldn't be able to open an account because of the inconsistency with Reliance's Christian ethical principles. At the same time, Smith adds, his bank wouldn't take on a large corporate customer that turned over hundreds of millions of pounds.

"Our only large corporate customer is The Salvation Army, and the primary purpose of Reliance Bank is to serve that, and provide it with efficient, modern, up-to-date banking services.

"But equally, we provide fair, competitive, honest, open banking services to non-Salvation Army customers at a competitive price and the modest margins we make on those customers helps fund The Salvation Army's community work.

"A personal customer would typically be frustrated by the frankly unreasonable charges that they faced on the high street, the lack of communication, the call centre approach that doesn't really treat people as individuals and can be frustrating, and

I JOINED BANKING MANY YEARS AGO WHEN THE BUZZ WORDS WERE PROBITY AND INTEGRITY. WE'VE GONE AWAY FROM THAT NOW

the small print in terms and conditions. It's a win-win situation for The Salvation Army and our customers."

The vast majority of Reliance's 2,000 plus personal customers will have empathy with The Salvation Army, Smith says.

"They know it's a force for good for work in the community, and our customers like our personal service, our simple range of products, and most of all, that feel-good factor from knowing that we don't rip off our customers."

For Smith, being managing director of a bank such as Reliance is a far cry from how he spent the majority of his professional career. He spent nearly 20 years working for one of the major high street banks but decided to take on a job as regional finance director at The Salvation Army, of which he was a longstanding member, in 1998.

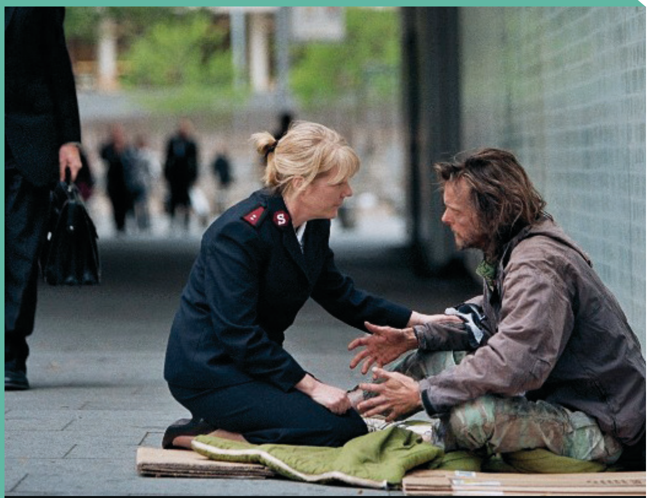
"I joined banking many years ago when the buzz words were probity and integrity. We've gone away from that now", Smith says.

"One of the reasons I left the high street bank I was at was the immoral pressure to sell, for example, endowment mortgages irresponsibly because the bank received high commissions.

"There was an increasing conflict between what it was asking me to do and how it was asking me to treat customers, and that didn't rest easily with my own personal Christian beliefs and practices."

After three years working for The Salvation Army, he was asked to move to Reliance Bank and was appointed to his current role, managing director, in 2006.

"When I left the high street bank, I thought I'd left banking for good and that I was going to work for a charity and a good cause. But over the three and a half years as regional finance director at The Salvation Army, I got a very detailed knowledge of the finances of an international charity, which



The Salvation Army has been described as "Christianity with its sleeves rolled up"

unbeknown to me and to a lot of people, had already had its own bank for more than 100 years.

"At the high street bank that I was at, I worked in head office, in the provinces and in the internal audit and investigation department, so I had a good grounding in retail and corporate banking. Marry that with a detailed knowledge of the international Salvation Army's finances, and I became a good candidate to work in and eventually lead its own bank."

And lead it he did; with excellent results to boot. In recent years after scandal upon scandal on the high street, non-Salvation Army business at Reliance has grown 10% year-on-year, as more and more people begin to see the proverbial light in the shape of sustainable, ethical and responsible banking.

Unlike some specialist banks, Reliance is the only Christian ethical bank in the UK to offer a full range of services and products, including current accounts, its own debit card, deposit and savings accounts, US dollar and euro accounts, overdrafts and loans, house mortgages and ISAs.

Possessing strict ethical policies has meant that, while the high street banks have experienced a somewhat tumultuous five years since the financial crisis began in 2007, Reliance has remained profitable. Its biggest challenge in recent years, though, has been coping with the regulatory backlash brought on by the recession.

"In the City of London, there is getting on for 200 banks", Smith says. "When people think of the banking community, they tend to think of all the names that roll off the tongue – the top 10-20, certainly the major high street banks.

"But there is a very strong and vibrant small banking community in the UK – which is largely, dare I say it, very moral – and it has had a rough time in the last few years, because if you've got a small balance sheet with just a few hundred million pounds on it – or, and it sounds silly to say it, but just the odd billion, which in banking terms is not a lot – you have to be responsible."

So what needs to be done in order for the UK and global banking communities to be classed as wholly responsible, ethical and sustainable?

"There needs to be more competition and we need morality bringing back into banking, but equally, there has to be a partnership with the community and a partnership with government that provides fair, reasonable banking services", Smith says.

"Governments looked the other way while banking was going down a very reckless route, and now we're all paying. OK, the banks made very poor lending decisions, but equally, a lot of bank customers borrowed very recklessly, so it's an issue in society and we all have to learn that this can't continue. It's just not sustainable."

A close relationship with The Salvation Army has ensured Reliance Bank maintains proper ethical principles. It is absolute proof that seeking profit at all costs doesn't have to form the basis of your business model. The beauty of its business is that customers know exactly what their money is going towards. And this transparency is a refreshing change to the mainstream bank ethic of shadiness, small print and financial recklessness.

reliancebank
The Salvation Army's Bank
www.reliancebankltd.com

BANKING ON SUSTAINABILITY

ECOLOGY BUILDING SOCIETY MIGHT BE – AS ITS NAME SUGGESTS – A BUILDING SOCIETY, AND A DEDICATED ETHICAL ONE AT THAT. BUT ACCORDING TO ITS CHIEF EXECUTIVE, PAUL ELLIS, ITS FUNDAMENTAL DNA CONTAINS ENVIRONMENTALISM AND SUSTAINABILITY. HE SPOKE WITH BLUE & GREEN TOMORROW.

Millions of people in the UK have accounts with building societies – alternatives to mainstream banking that don't have shareholders, but instead, members. One of the youngest but increasingly popular choices for consumers is Ecology Building Society – which, by its own admission, goes a step further, by putting people and the planet ahead of profit.

It was formed at a Green Party conference in Yorkshire in 1980, after a member struggled to find a mortgage for a renovation project. Thirty-two years later, its founding principles remain fully intact, it hasn't succumbed to the neon lights of London (its only office is in Keighley, West Yorkshire) and some of its original supporters continue to hold accounts to this day.

"For everything that we do, we must be able to point back to a sustainability gain", explains Paul Ellis, Ecology's chief executive since 1995.

"Clearly, the majority of banking activity in the mainstream banking world has drifted a long, long way away from that, with the vast majority of action trying to make a short-term gain and trying to trade away risk.

"We just don't operate in that way. We see ourselves as supporting genuine economic activity that is rooted in sustainability. And because of that, we're able to attract funding from our members which gives us less exposure to the mainstream banking system."

The fundamental difference between Ecology and the mainstream banking sector is its overall focus. Ecology takes a long-term view in everything it does – with the ultimate aim being to encourage a greener society – whilst the high street banks look notoriously short-term. And whilst the profit-driven sector has floundered in the past few years, Ecology's ethic has helped it come through the financial crisis unscathed.

FOR EVERYTHING THAT WE DO, WE MUST BE ABLE TO POINT BACK TO A SUSTAINABILITY GAIN

"The overall picture is that we've continued to grow throughout that period", Ellis says.

"An indication of that is that last year, we had record growth lending, so even despite the general state of the economy and the housing market, our proposition is finding favour with those who are interested in some of the things that we're interested in such as energy efficiency, the impact of housing on the environment and so on.

"In the early part of the crisis, we found ourselves in effect making exceptional profit because we had money to lend into the market. Some of the organisations were dependent on wholesale money and we weren't, because the fundamental nature of Ecology is that all our funding comes from our members."

Ecology's mere existence is proof that there is a need for a green mortgage provider in the


Ecology's primary focus as a building society is on the built environment.

UK. But it's more than that. It offers ethical savings accounts and invests in businesses and projects that it deems beneficial to the environmental or sustainability movement.
From companies involved in organic farming, horticulture, recycling and energy efficiency, to those businesses that provide environmental management, or deal in fair trade products – the list of loans Ecology has provided might as well be the FTSE 100 of sustainability innovators.
"Our particularly emphasis as a building society is on the built environment", Ellis describes.
"Within that building society, our first emphasis must be on the housing stock. So what we're concerned with is the creation of sustainable housing stock within the context of sustainable communities. So if we've got a highly energy efficient property, then that will attract our better mortgage pricing. In effect, we reward those who put effort into reducing the environmental impact of their property – be that new properties or existing ones.
"We'll apply that kind of thing to ordinary borrowers, but also to the likes of housing co-ops and community land trusts and so on. What we don't do is just have this as an additional product, and the rest of the time operate on general financial business. We exclude any lending to projects where we don't see that gain in sustainability, so by that way, we're not negating our support of sustainability and the environment."
Although he has been chief executive since 1995, Ellis has been part of Ecology in some capacity for more or less all its existence. He joined simply as an investor in 1980 after being involved with the Green Party, before joining the building society to work in marketing and IT in 1992. Three years later, he was one of the firm's top names.
"My prime motivation is an interest in the environment", he says of his reasons for working at Ecology.
"Being involved in the Green Party was what got me involved in Ecology originally. I knew some of the first directors, so I followed its progress from its very early days, and it always made sense to me that we needed to look at money not just as a store of value but as a store of values. And its deployment mattered – it wasn't some kind of neutral force. The conscious decisions we took with our money could make a difference to create the kind of world that we want to see."
Things have changed since he took on the role as chief executive, though. And there are more big changes expected in the near future.
In 2010, British economist Sir John Vickers was appointed chair of the Independent Commission on Banking – a unit set up to deliver recommendations as to how to achieve financial stability and competition in the UK's banking sector. These were collated in a report, released in September last year.
The report's main recommendation was to ring-fence high street banks from their investment arms – but critics have questioned whether this goes far enough, and indeed fast enough, in achieving widespread banking sustainability.
"I definitely think that the current plans for implementation really don't give us a mindset or the tools to address the current crisis", Ellis says.
"We met the publication of the report with some dismay when we realised how long it would take to enact some of the things discussed in it. It doesn't go far enough to tackle the fundamental problems in the system. It's focused on protecting banks from contagion and causing the cost of that to come back to the taxpayer. That's all well and good, but it doesn't really address other aspects of problems in the banking system such as the overreliance on ratings agencies and so on.
"The pace of regulatory change at the moment is very, very slow and that's reflected in the attitude to the implementation of the Vickers Report."
A number of multinational banks have recently announced relatively big sustainable steps in their business, such as the Bank of America committing $50 billion to invest in clean energy and Morgan Stanley Smith Barney launching a values-driven investment platform for investors.
Ellis is reticent to get completely behind these announcements, though.
"I'd like to think these were

examples of banks changing, and I think there some instances where mainstream banks are sensitised to the issues. It's very hard, though, to think anything other than this is about creating perceptions and allowing other activity to carry on underneath. A $50 billion investment in clean energy is all well and good, but if that is dwarfed by investments into hydrocarbon industries that we're failing to address the consequences of, then it doesn't really amount to very much other than putting a green badge on.

"Nevertheless, I think there is some of the thinking going on there. What then needs to happen, is that we take a conscious decision as a political community to reorient the whole function of banking and make sure that it's embedded that this is essential rather than just a side initiative."

But there is a shift happening, though – particularly at a consumer level – as Ellis describes.

"We obviously see the growth and interest in avowedly ethical banks in this country, but it's even more pronounced in other countries across Europe. From our experience talking to partners, banks that place sustainability at the core of their values have experienced a quite significant increase in interest and account shifting. I think that is set to continue.

"We certainly get more questioning on the fundamentals of how we operate, which we welcome because it provides a challenge to us."

Ellis adds that people used to approach Ecology to say that they'd like to invest, but would go elsewhere if they could get a better interest rate on the high street. This,

Paul Ellis first got involved with Ecology Building Society as an investor in 1980, before joining to work in marketing and IT in 1992. He became chief executive three years later.

he says, demonstrated a lack of understanding of the fundamentals of how interest, profit and money were generated.

To tackle one of the sectors biggest misconceptions, investing in sustainability isn't an inherently low-return option. "Clearly", Ellis says, "if you're going to forgo certain types of profitable activity – investing in gambling businesses and so on – then there must be constraints on your ability to just create profit, and there's never any questioning of how those high interest rates could be sustained, and no questioning therefore of whether the business model of the organisation was in itself financially sustainable."

A study earlier this year by the Global Alliance for Banking on Values found that banks that have sustainability themes at their core perform better than those that are solely out for profit. The research compared the performance of 17 values-driven institutions against 29 of the largest, most influential mainstream ones, and came to the conclusion that the more ethical banks delivered better returns than the high street behemoths.

So by choosing an ethical banking option – and Ecology Building Society falls under that banner – you'd not only be getting a decent return, but your money would also be actively helping to push the green economy. Your money would be making a difference.

"Sometimes we say that Ecology Building Society is an environmental organisation sat within a building society", declares Ellis.

"The building society model is what we deploy to achieve our ends, but our fundamental DNA is that we're in the sustainability and environment movements. Individuals should move their money to Ecology Building Society because they can first of all be completely clear about how we're applying the money, and secondly, they can indeed influence the way in which we apply that money by becoming actually engaged as members."

So, what are you waiting for? The time to move your money is now, and Ecology Building Society would be an irrefutably intelligent option.

Ecology Building Society

www.ecology.co.uk

NOT YOUR STEREOTYPICAL HIGH STREET BANK

THE CO-OPERATIVE BANK IS A HIGH STREET BANK WITH A DIFFERENCE, IN THAT IT IS THE ONLY ONE TO HAVE A CUSTOMER-DRIVEN ETHICAL POLICY. BARRY CLAVIN IS THE ORGANISATION'S ETHICAL POLICIES MANAGER, AND HE BEGINS HIS CONVERSATION WITH BLUE & GREEN TOMORROW BY OUTLINING WHAT HIS ROLE ENCOMPASSES.

The Co-operative Bank's ethical policy is mandated by customers and dictates where the bank will, and more pertinently where it will not, either lend its customers money or even provide any sort of banking services to businesses that our customers don't want their money to support.
In order to deliver it, we have a team that oversees development and implementation. I head up that team of specialist people whose responsibilities are to oversee the development of the policy, and to make sure that over time the policy remains reflective of what issues customers want the policy to cover, and then secondly to put in place the systems and processes, and provide advice so that the bank can function and deliver on its ethical policy commitments.

THE CO-OPERATIVE BANK IS THE BIGGEST OF ALL THE FINANCIAL INSTITUTIONS FEATURED IN THIS GUIDE, BUT HOW HAS IT BEEN COPING THROUGH THE FINANCIAL CRISIS OF THE LAST FIVE YEARS?

The financial crisis and subsequent downturn have thrown the spotlight on the industry, its behaviours and what banks do with their customers' money. It's caused a loss of faith in some banks. It has meant that alternative models to PLCs have had more exposure and for us resulted in new customers joining the bank in an apparent 'flight to trust'. So whilst we've not been immune from the inter-connected nature of the market, The Co-operative Bank has grown.
Because we stuck to basic principles in how we fund ourselves and how we manage our balance sheet, our support for customers has been consistent. The majority of our funding has always come

WE'RE OWNED BY SEVEN MILLION MEMBERS OF THE UK GENERAL PUBLIC, AND OUR AIM TO OPERATE FOR THEIR BENEFIT RATHER THAN FOR THE BENEFIT OF SHAREHOLDERS IN THE WAY PLC ORGANISATIONS DO

from deposits so it's roughly £1 in, £1 out, which left us less exposed to the markets.

WHAT'S THE DIFFERENCE BETWEEN THE CO-OP BANK AND THE REST OF THE HIGH STREET BANKS?

We're a co-operative. Our ownership structure is different than the high street banks. We're owned by seven million members of the UK general public, and our aim to operate for their benefit rather than for the benefit of shareholders in the way PLC organisations do. That means our profits are divided between real investment within the business, investment in our communities, dividends to our members and colleagues.

WHAT NEEDS TO CHANGE IN ORDER FOR UK BANKING TO BE MORE ETHICAL?

We've argued for a long time that consumers and the economy would benefit from greater diversity within the marketplace. The options for the consumer are limited. For 140 years, we've delivered banking in the UK in a way that is about being open, transparent and honest about what we do with customers' money which is the money they've entrusted to us. That's come to the fore even more so recently as consumers and commentators are asking more searching questions about what the banks do with their customers' money.

We've always been open and honest in what we do with it, and over and above that, in allowing customers to actually have a say in where their money is and isn't used – which is quite unique. Ultimately, allowing customers

> **TO BE SUCCESSFUL, IT IS ESSENTIAL THAT WE ARE ABLE TO COMPETE ON WHAT CUSTOMERS WANT FROM THEIR BANK**

The Co-operative Bank struck a deal in July to buy 632 Lloyds TSB and Cheltenham and Gloucester branches in the UK, in what it called the "biggest shake-up in high street banking in a generation" (Photo: Karen Bryan).

to have an influence on your strategy and your approach is quite brave, but it has served us very well.

IT WAS RECENTLY ANNOUNCED THAT THE CO-OP BANK WOULD BE TAKING ON ALMOST FIVE MILLION LLOYDS TSB CUSTOMERS ACROSS THE COUNTRY. AND AFTER SCANDAL UPON SCANDAL THIS YEAR ALONE, DO YOU THINK THAT WE ARE WITNESSING WHOLESALE SHIFTS TOWARDS RESPONSIBLE BANKS, THOUGH?

We've certainly seen an increased interest from customers wanting to join us. In June and July when issues beset some of the larger banks we opened 100,000 new accounts.

We launched our ethical policy two decades ago and it was quite a radical thing to do at that time, to say that going forward, regardless of legal and financial risks, we would look at social and environmental risks, as defined by our customers.

HOW WOULD YOU DESCRIBE THE TYPICAL CO-OP BANK CUSTOMER?

Obviously we appeal to ethical consumers. Ethical

FOR 140 YEARS, WE'VE DELIVERED BANKING IN THE UK IN A WAY THAT IS ABOUT BEING OPEN, TRANSPARENT AND HONEST ABOUT WHAT WE DO WITH CUSTOMERS' MONEY WHICH IS THE MONEY THEY'VE ENTRUSTED TO US

consumerism isn't as easy to pin down as people might expect it to be, though. There isn't a stereotypical ethical consumer – it increasingly cuts across all age groups and socioeconomic profiling, so there isn't a simple answer to that.

To be successful, it is essential that we are able to compete on what customers want from their bank. That means providing top quality service and good products that meet customer needs. People shouldn't expect to have to compromise for their ethics. You must provide great customer service too.

FINALLY, WHAT WOULD YOU SAY TO INDIVIDUALS IN ORDER TO INSPIRE THEM TO SWITCH TO THE CO-OPERATIVE BANK?

In switching to the Co-operative Bank, there is a unique opportunity to actually own the business that you're prepared to trade with or prepared to put your money with. You can own the business and have a say in what the business does with your money. And in the current climate, that level of two-way trust between a customer and a bank is a fantastic opportunity. When you combine great service and products, it means we can offer customers a compelling alternative.

The co-operative bank

www.co-operativebank.co.uk

THE UNSTOPPABLE SHIFT TOWARDS ETHICAL BANKING

UNITY TRUST BANK IS ONE OF THE UK'S TRULY SOCIALLY RESPONSIBLE BANKS. ITS MANAGING DIRECTOR IS RICHARD WILCOX, A MAN WITH OVER 25 YEARS EXPERIENCE IN THE FIELD.

After working at Natwest and the Co-operative Bank from the age of 18, he joined Unity in 1989, staying for six years. In 1995, he moved back to the Co-op (the parent company of Unity) and then in January this year, was appointed to his current role.
He took some time out of his busy schedule to speak with Blue & Green Tomorrow about the potential wonders of ethical banking.

WHAT IS UNITY TRUST BANK'S BACKGROUND AND WHAT ARE ITS PRINCIPLES?

We were formed relatively recently in 1984, with some quite strong grounding principles, and we've never really moved away from those. If you take a look at them, you can see how we're different from the high street banks: "An organisation identified with and embracing the philosophy of the common good", "Given the will, the movements can foster directly the role of enterprise, not principally influenced by the maximising of the profit motive, but who can produce something equal in efficiency yet superior in principle", and "As a simple objective, excessive profit would not be part of a trade union bank philosophy. Profits in excess of those required for a reasonable return on shareholders' capital for prudent reserve, would be devoted to purposes related to the higher interests of the community."

HOW HAS UNITY TRUST BANK FARED THE FINANCIAL STORM IN THE PAST FIVE YEARS OR SO?

We continued with business as usual really. Our business is a relatively simple one; we take deposits and we lend them to UK businesses within the social economy. So that hasn't changed, but inevitably some of our clients have suffered during those five years, and we've had to take some provisions for the losses in 2010, but we almost recognise that as an inevitable consequence of doing business. If anything, it's made us more determined to carry on doing what we're doing.

WHO ARE YOUR CUSTOMERS?

We only provide banking services to the social economy, so that would be the voluntary sector, community sector organisations, co-ops, mutuals, credit unions, CDFIs, charities and small and medium enterprises.

WE HAVE A UNIQUE UNDERSTANDING OF THE SOCIAL ECONOMY BECAUSE WE'RE PART OF IT. IT'S NOT LIKE WE'RE AN OUTSIDER LOOKING IN – WE'RE PART OF THAT ECONOMY

We have a unique understanding of that social economy because we're part of it. It's not like we're an outsider looking in – we're part of that economy. So we design products and services that fit the needs of the customers rather than the needs of us. We're part of the movement, and we understand what it is that they want because we want the same things.
We lend money to the social economy;

Unity Trust Bank's managing director Richard Wilcox has worked in ethical banking for the bulk of his career.

I THINK WE ARE MOVING MUCH MORE BACK TO A MODEL WHERE ETHICAL BANKS, BECAUSE OF THE TRUST THAT PEOPLE HAVE IN THEM, WILL START TO PLAY A MORE MAINSTREAM PART IN THE UK

we don't make any equity investments; nor do we have any funds under management – we operate in simple terms the way a traditional bank has always done, which is taking deposits off customers and lending those back out to other customers.

We also provide wholesale funding to community development financial institutions (CDFIs) – which are like credit unions but for small business and social and voluntary sector. Whereas a credit union is primarily involved in lending to individuals, a CDFI is primarily there to support small business or voluntary sector organisations.

Wholesale lending to CDFIs is a great way of supporting the social outcomes that we're looking to achieve.

Another function would be lending to a charity, or lending to voluntary sector organisations to help develop their services.

We've recently lent money to a charity that's involved in provision of care for people recovering from drug and alcohol abuse. Any loans that we make must also have a social outcome attached to it.

WHAT KIND OF ORGANISATIONS AND BUSINESSES BANK WITH UNITY TRUST BANK?

Obviously a lot of trade unions bank with us, but also I think we're one of the largest provider of banking services to the credit union sector, to the CDFIs and smaller community groups, charities, voluntary sector organisations. We can and do bank with some of the larger charities, but typically our relationship would be with the medium-sized regional or smaller charities, voluntary sector groups and community groups.

MANY IN THE ETHICAL BANKING SECTOR CLAIM TO HAVE WITNESSED A BIG INCREASE IN THE NUMBER OF NEW PEOPLE SWITCHING IN RECENT TIMES. HAVE YOU NOTICED THIS SHIFT?

Comparing the leads we are receiving this month compared to the same period last, we have a very considerable increase. We don't provide a traditional personal account, so our support tends to be to the voluntary sector, credit unions and CDFIs. But we have noticed that those who bank with the high street banks are now increasingly starting to enquire about us and others as to whether they should be putting their money to better use. If you think that they're working tremendously hard to generate some social value in what they do, you would expect the bank that they bank with to do the same, and I think we do that.

Generally, it feels to me like we're in a bit of a watershed moment in the banking sector. I think we are moving much more back to a model where ethical banks, because of the trust that people have in them, will start to play a more mainstream part in the UK. The shift towards ethical banking will be slow, but I think it's unstoppable.

WHY DO YOU THINK PEOPLE ARE MOVING AWAY FROM THE HIGH STREET FOR THEIR BANKING NEEDS?

I think the high street banks no longer relate the old-fashioned concept of providing a banking service. I quoted our founding principles, and I think if you view us now with those principles in mind, you would still recognise our institution. Could you say the same thing about the high street banks? I've been in commercial retail banking since I was 18, and it was always a case of your word was your bond. People trusted you. You have to have that fundamental relationship of trust with your bank, and what the Libor scandal seems to say is that trust is perhaps that trust is sometimes potentially misplaced.

WHAT COULD OR SHOULD THE GOVERNMENT BE DOING TO MAKE BANKING MORE ETHICAL?

I think from a government and from a regulatory perspective, if they can start accepting that there is a fundamental difference between what mutuals do and what PLCs do, and not try to tar us all with the same brush, that would help.

I think the idea of increased regulation is important but you should make sure that you're not overburdening those that have done no wrong to try and capture those that have.

YOUR BANKING CAREER STARTED AT NATWEST. WOULD YOU EVER CONSIDER MOVING BACK TO A HIGH STREET BANK NOW?

I see no attraction at all in moving to a high street bank. I like the idea of ethical banking because I like the fundamental routes of what a bank should be, and I think the ethical banks – not just ours – still stick to what it is they will do. I like working in that environment.

What would you say to encourage or inspire readers to switch to Unity Trust Bank?

We bank exclusively those organisations that are involved in the social economy. So if you're working incredibly hard within the social economy to generate social value in whatever way that you are doing that – be it a charity, a CDFI or a credit union – you should be confident that the bank that you bank with is doing the same. Unity absolutely does that, and it's the fundamental purpose of what we do.

DEMOCRATIC BANKING: THE CREDIT UNION OPTION

FROM MARCH 2011, CREDIT UNIONS IN ENGLAND, SCOTLAND AND WALES ADDED 77,000 MEMBERS IN 12 MONTHS, BRINGING THE TOTAL NUMBER OF PEOPLE IN CREDIT UNIONS IN BRITAIN (EXCLUDING NORTHERN IRELAND) PAST ONE MILLION FOR THE FIRST TIME.
IN THE US, THE FIGURES ARE AS REMARKABLE, WITH ONE AND A HALF MILLION PEOPLE MAKING THE SWITCH BETWEEN THE START OF 2009 TO MID-2010 – THE NUMBER OF NEW MEMBERS USUALLY EXPECTED IN A 14-YEAR PERIOD. HERE, JOSEPH IDDISON UNCOVERS THE CREDIT UNION OPTION.

As uncertainty and scandal continues to surround our banking systems, and with further restrictions on public spending recently announced, it is little wonder why some are choosing credit unions over multinational banking institutions.

Credit unions differ significantly from banks. Generally, it operates with the purpose of providing prudent financial planning, credit at competitive rates and other financial services, only to its members. In having these members, as opposed to customers, their wellbeing is put first, giving them a share of the profit at the end of the year in the form of a dividend. Members also have the authority to elect the board of directors, which is run in a democratic one vote per person system, regardless of the amount of money invested, meaning members have a say in the day-to-day activities.

In the event that a credit union goes bust, all members' money is protected up to £85,000 by the Financial Services Compensation Scheme.

And speaking to the BBC earlier this year, Mark Lyonette, chief executive of the Association of British Credit Unions Limited (ABCUL), highlighted that credit unions are now able to pay fixed interest on deposits.

"In terms of saving, for those people who are trying to make the most of their money, being able to know what rate your credit union is going to pay you is actually really important", he said. "This is going to put us on a level playing field with other institutions in the UK."

Credit unions often describe themselves as not-for-profit, as they are ultimately created to serve their members and are not to maximise profit. However, they must return a small amount (known as 'surplus'), as without it, they could not continue serving members.

According to the World Council of Credit Unions (WOCCU), a credit union's revenues (from loans and investments) must exceed its operating expenses and dividends (interest paid on deposits) in order to maintain capital and remain solvent. Credit unions then use this surplus finance to offer higher returns on savings, more affordable loans, lower fees and new products and services.

By putting your money into a credit union, not only will you have more of a say as to where that money goes (unlike major banks) but you will also be helping others in your community. Several of the largest credit unions are now providing mortgage finance, too, and many will offer loans of tens of thousands of pounds in value.

But one of the most appealing aspects of credit unions is their willingness to make small loans

THERE IS MORE OF AN EMPHASIS ON MUTUAL SATISFACTION FOR THE MEMBERS AND COMMUNITY IT MAY BE TARGETED TOWARDS

of as little as £50 (and up to £7,500, with larger institutions offering much more) to their members – something high street banks won't do. Also unlike banks, when taking out a loan from a credit union, there are no penalties or charges if you pay the loan off early. Life cover is included in the loan at no extra cost, meaning, in the event of your death, the credit union's insurer will repay the loan on your behalf.

"I save here because I feel it is very community-based. It is brilliant", Vernella Dyer, a member of the London Community Credit Union based in Hackney, told the BBC. She has been a member for over a year, and supports the decision to build up the reserves of her local credit union.

Whilst credit unions have become more popular in recent years, with constant doubt and austerity in national and global banking systems, they are not a recent movement. According to the London Mutual Credit Union, credit unions and societies were created in Germany in 1852, where the principals and democratic beliefs of today's institutions began.

Before 1979, however, no legal structure for credit unions existed in the UK. Some of the early credit unions chose to register under the Companies Act and some under the Industrial and Provident Societies Act. There were many who played a key role in getting a legal structure for credit unions on the statute book, and eventually, in April 1979, the Credit Unions Act was the last Act to be passed by the outgoing Labour government.

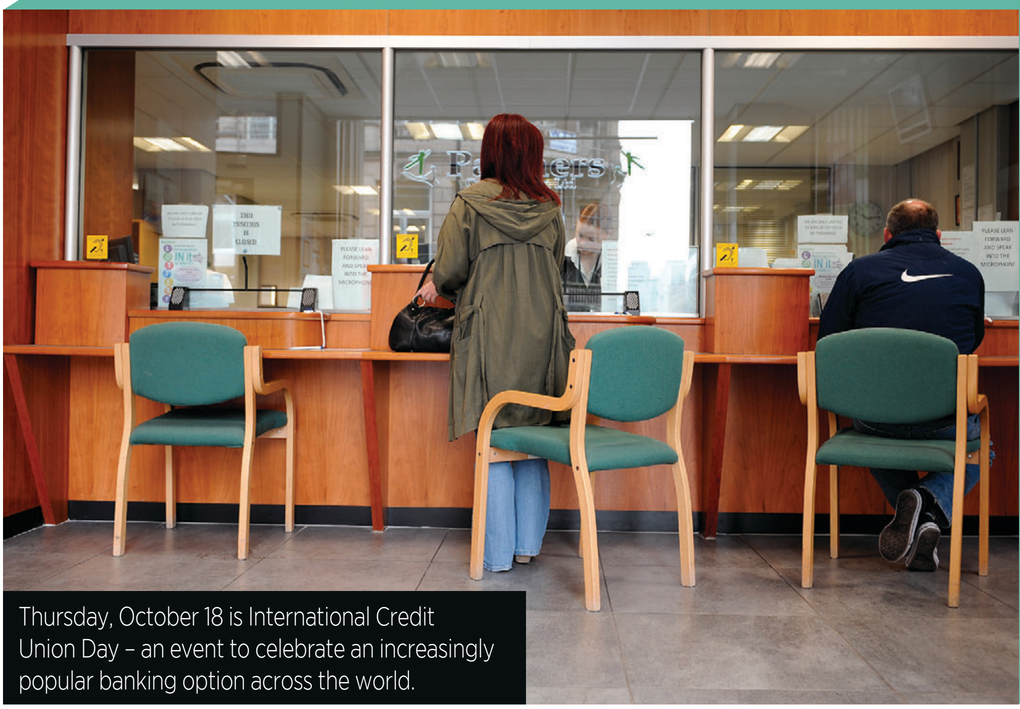
The UK's involvement in credit unions only really began after witnessing their progress in other countries, particularly Ireland, Canada and the US. In Ireland, over 70% of the population belongs to a credit union. In the US and Canada, the figure is around 43%. Credit unions are also growing fast in Eastern Europe, parts of South America, Africa and the Far East.

Nowadays in the UK, many small-scale credit unions are established to offer a financial community, as many, such as the Police Credit Union, intending to support common benefits. Many also support community development, such as localised projects and investment.

There is more of an emphasis on mutual satisfaction for the members and community it may be targeted towards. For example, a credit union might be able to offer support to someone struggling to qualify for or access general bank services and products. Larger credit unions are at times able to offer better interest returns than some high-street firms.

What appears the most remarkable, though, is, while big banks cut lending in 2009, credit unions granted more loans, and since January, UK institutions have been able to lend to businesses.

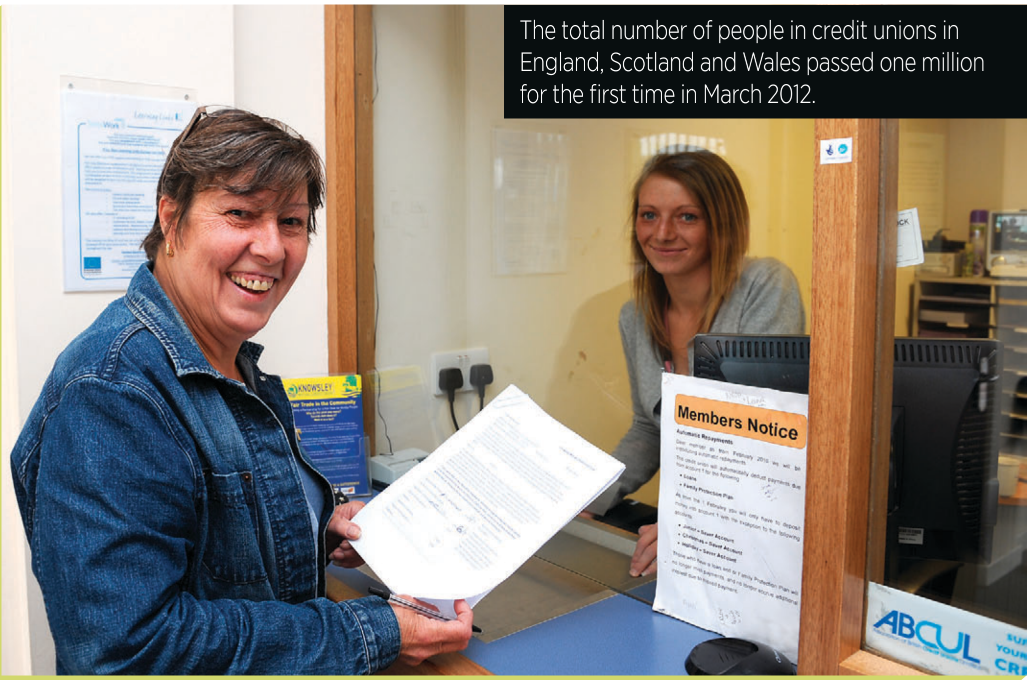
"Our members are borrowing for productive purposes, so we have continued to lend", Kellie Terhune Neely told the Huffington Post. She's vice president of Hughes Federal Credit Union,



Thursday, October 18 is International Credit Union Day – an event to celebrate an increasingly popular banking option across the world.

which serves low-income neighbourhoods in Tucson, US, where in 2009, loan volume was up nearly 5%, supported by a 6.5% growth in membership and a 19% gain in deposits.
Back home, and speaking to the BBC, David Braithwaite, financial adviser with Citrus Financial Management, described a potential problem for credit unions trying to attract new customers.
"A lot of people in this economic climate are looking for somewhere safe to put their money. Now there is nothing wrong with a credit union, but a lot of people do prefer a high street brand, well-known names that they can trust", he said.
At the beginning of the year, a new law passed, allowing credit unions in England, Scotland and Wales to offer fixed savings rates. Most credit unions have not set their interest rates yet; however, one has already offered 4% on a cash Individual Savings Account (ISA). But most credit unions will not be offering guaranteed interest rates in the immediate future. For now there appears to be no imminent change.
"Each credit union has a choice on whether or not it wants to offer the guaranteed interest rate. So they would have to vote on that procedure", explained Jo Everest, community relations manager for the London Community Credit Union.
Almost everyone is eligible to join at least one credit union. By law, they must limit their membership to people who share a particular common bond. In the past, that has often meant people connected to the same employer. But today, more than three-quarter of all credit unions define that shared bond by location, so anyone who lives in the community can become a member.
If you're interested in joining a credit union, visit www.findyourcreditunion.co.uk, which has details of all the credit unions around the country and lists which ones you might be eligible to join.
Thursday, October 18 is International Credit Union Day, meaning there isn't a better time to move your money.

BY PUTTING YOUR MONEY INTO A CREDIT UNION, NOT ONLY WILL YOU HAVE MORE OF A SAY AS TO WHERE THAT MONEY GOES, BUT YOU WILL ALSO BE HELPING OTHERS IN YOUR COMMUNITY



The total number of people in credit unions in England, Scotland and Wales passed one million for the first time in March 2012.

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France – F6337 – Whether you prefer to stay in a popular town or in a remote rural location you will find a great selection of villas and gites. Visit this beautiful region of France where you will find many reasons why you will want to come back.

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WHERE NOW FOR BANKING?

RETAIL BANKS AND BUILDING SOCIETIES PLAY A VITAL ROLE IN OUR ECONOMY. OUR SALARIES AND WAGES CAN BE PAID FROM AND INTO A SAFE PLACE AND PAYMENTS CAN BE SETTLED EASILY IN PERSON OR AUTOMATICALLY. THEY LEND, OR USED TO LEND, TO ALLOW INDIVIDUALS AND BUSINESSES TO BUY THINGS AND PAY US A RETURN IF WE SAVE OR INVEST. BANKING IS NOT THE ENEMY, OR IT SHOULD NOT BE, IF OPERATED SUSTAINABLY.

Whatever we are told about the failings of previous governments, our current economic woes have at their core an investment banking crisis. Speculation on a property bubble, with sub-prime assets wrapped into financial instruments rated as prime, led to a collapse in confidence and a catastrophic market failure from which we have still not yet recovered. Governments, central banks and regulators with both left and right tendencies failed to predict or prevent this crisis.

Retail banks risked failure because their investment arms massively over-stretched themselves.

There is a huge concentration of market share in the five major banking groups. Between them, Lloyds Banking Group (Lloyds and HBOS şHalifax, Bank of Scotlandţ), Royal Bank of Scotland Group (RBS, Natwest), HSBC (HSBC, First Direct), Barclays and Santander hold 85% of personal current accounts. In mortgages, this share is 76%; in savings accounts 61% and in personal loans 64% (Houses of Parliament, 2010). A reasonable person could say that an oligopoly, a market dominated by a few players, operates in personal current accounts.

This huge concentration of power is damaging for competition and therefore damaging for customers. While the sale of 632 Lloyds TSB branches to the Co-operative slightly decreases their dominant market position, it is a long way from the dynamic sector and more perfect competition we need. Concentration in market power always leads to abuse, as we saw with payment protection and insurance miss-selling.

The role that retail banks play in an economy is so vital that retail divisions must be separated from their investment arms and then broken into smaller players to stimulate even greater competition. Despite the recommendations of the Vickers Report to separate the investment divisions from the retail ones, under current plans by the government, this will not happen quick enough or go far enough to have the impact consumers need.

But this is where personal responsibility comes in. There are 110 banks and building societies in the UK, meaning an enormous choice for individuals and businesses. Moving your current account and savings to an organisation outside the big five sends a strong market signal to the major players that they need to improve their game and behave more responsibly. We've presented several strong candidates in this report.

Most banks and building societies offer a straightforward switching service, so shop around and move your money today. The future of banking is, in part, in your hands.

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