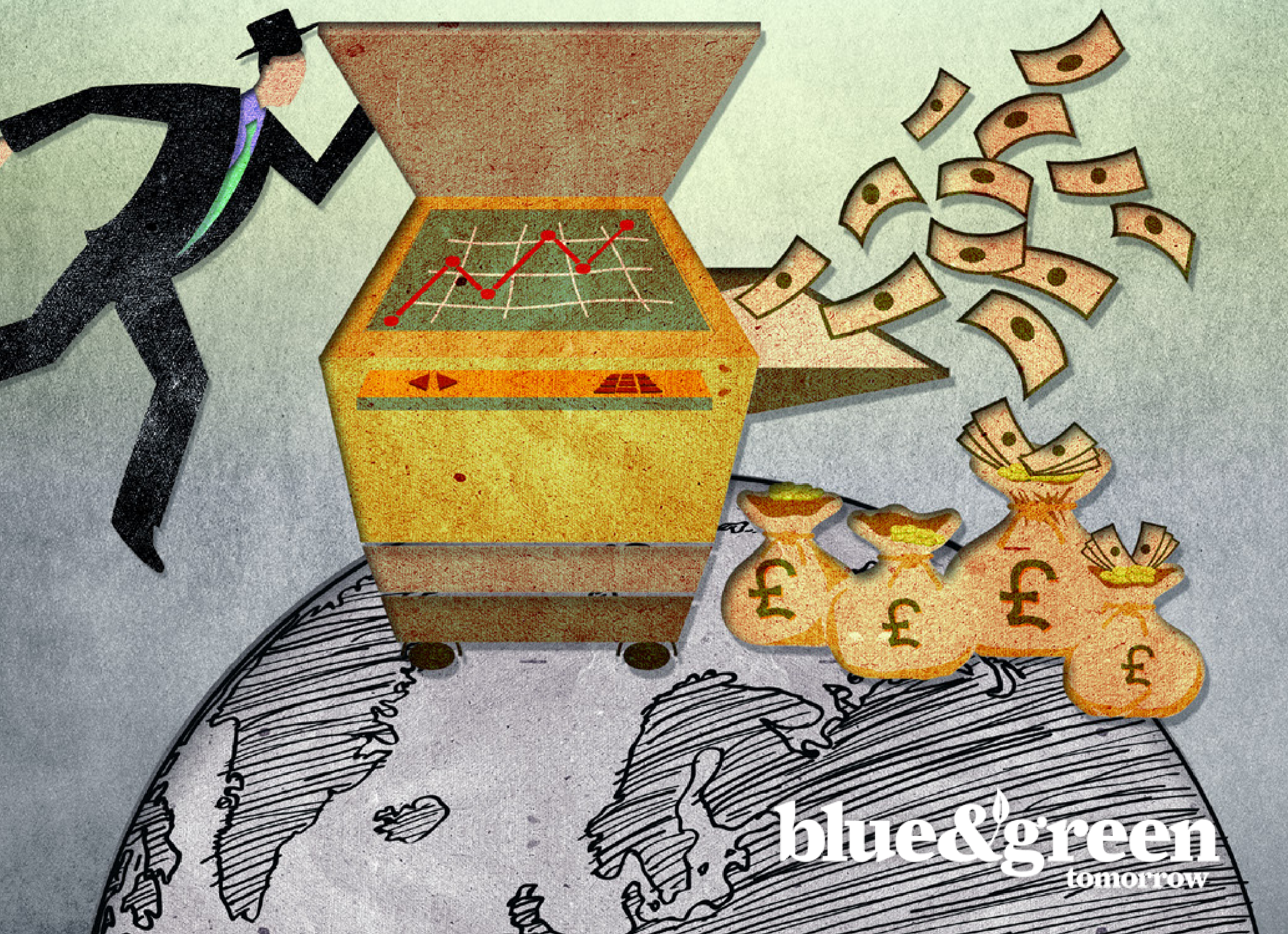
OCTOBER 2013

www.blueandgreentomorrow.com

The Guide to Sustainable Banking

"YOU CAN PRINT MONEY TO BAIL OUT A BANK BUT YOU CAN'T PRINT LIFE TO BAIL OUT A PLANET"
– ENTREPRENEUR AND AUTHOR PAUL HAWKEN



blue&green tomorrow

CONTENTS

PUBLISHER
Simon Leadbetter

EDITOR
Alex Blackburne

WRITERS
Ilaria Bertini, Nicky Stubbs, Tom Revell, Charlotte Malone

HEAD OF MARKETING
Seth Kirby

DESIGNER
Dorina Ciorîia

www.blueandgreentomorrow.com
www.blueandgreeninvestor.com

EMAIL
editor@blueandgreentomorrow.com

TWITTER
@bluegreentweet
@bluegreeninvest

FACEBOOK
www.facebook.com/blueandgreentomorrow

LINKEDIN
www.linkd.in/1ay9Z3E

WRITE
11 Steep Hill
Lincoln, Lincolnshire
LN2 1LT
England

foreword

There is nothing like rewriting history. In the current round of bank infighting, prompted by seven-day current account switching, Lloyds would have you think there is nothing more important to its business than you, NatWest would say it is not a bank but a best friend, and TSB claims it has been acting with your community's interest at heart for over 200 years – continuously.

Current accounts are only part of the bigger personal finance picture. They are only offered by around 35 providers in the UK, and many people think that switching is complicated and difficult. Savings and investments on the other hand are easier to move.

But here is the irony. How customers feel about their current account arrangements has a direct influence on how many people treat their savings and investments. I met an MEP recently, who for 30 years has been a candidate in some tough and bloody election campaigns.

Pushed by her bank into changing her accounts, she told me she wanted to move from them. "Great", I thought – until she continued to say that 'the problem' was that she wanted everything in one place. So it was easier. She had managed to make the idea of a switch even harder in her mind by adding in her savings and ISA. Her natural instinct was not to move any of it.

Don't fall into that trap. Shop around for a better deal and find a banking provider who not only gives you a good return, but shares your values.

The Move Your Money Switching Scorecard judges banks on their honesty, customer service and ethics, and Blue & Green Tomorrow's guide lays out a number of sustainable, responsible and ethical alternatives.

Whatever you want from your bank, make sure you get it. When we match up what we think about issues with our actions as consumers, we can make a positive impact on the world around us.

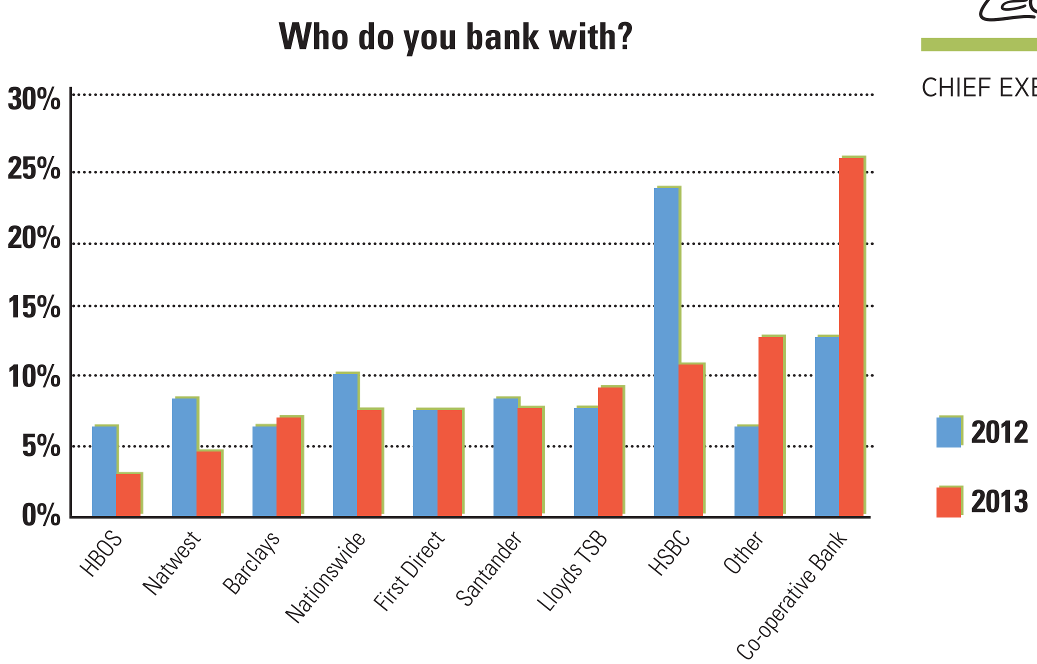
And spread the message of change. Don't just use this guide or our online scorecard as a tool for you to move your money, but tell your friends and colleagues what you're doing. It's time we stopped putting up with banks telling us they've changed in their glossy adverts, when all of us know nothing's changed at all.

Until we start nailing the myths about how to bank and invest by sharing our own experiences, we won't change anything. So read this guide, check out the Move Your Money website, and let's talk about money.

Laura Willoughby

CHIEF EXECUTIVE, MOVE YOUR MONEY

www.moveyourmoney.org.uk



Note: this chart is a self-selecting sample of Blue&Green Tomorrow's readship and therefore may not be representative.

BRITAIN'S BIG BAD BANKS

A GLANCE AT SOME OF THE SCANDALS AND MISDEMEANOURS OF THE BIG FOUR UK BANKING GROUPS: BARCLAYS, HSBC, LLOYDS AND THE ROYAL BANK OF SCOTLAND.

LLOYDS

February 2013: Find £4.3m for delaying PPI compensation
March 2013: Reveals a £570m loss for 2012, but still hands chief executive António Horta-Osório a bonus of over £1.4m
June 2013: Pays out £4.3 billion in total over a number of months to 1.3 million customers who were victims of the PPI mis-selling
June 2013: Admits "issues" with the way some of its employees were handling complaints over PPI

BARCLAYS

November 2011: Named fifth biggest 'climate killer' by NGOs Urgewald and BankTrack, after having invested £9.7 billion in fossil fuels since 2005
January 2012: Recognised at Public Eye Awards 2012 for food speculation practices and general "social and ecological offences"
February 2012: Forced to pay back £500m in tax which it had tried to avoid
April 2012: A significant 26.9% of shareholders vote "no" to the bank's executive pay package at its AGM
June 2012: Fined £290 for rigging Libor – the rate at which banks lend to each other. Chief executive Bob Diamond and chairman Marcus Agius step down
July 2013: US energy regulator the Federal Energy Regulatory Commission (FERC) orders bank to pay £299m fine for attempting to manipulate electricity market in the US
September 2013: Fined £50m from the FCA over a deal with Qatari investors in 2008 – which the bank confirmed it would contest

HSBC

November 2011: Named 20th biggest 'climate killer' by NGOs Urgewald and BankTrack, after having invested £3.8 billion in fossil fuels since 2005
December 2012: Forced to pay £1.2 billion in fines for channelling money for Mexican drug barons and Iranian criminals – the largest fine ever given to a bank
March 2013: Reveals it shelled out $1.9 billion in 2012 for mis-selling financial products in the UK
March 2013: Chief executive Stuart Gulliver awarded £1.95m bonus, despite interest rate swap, PPI and money laundering scandals in 2012

RBS

November 2011: Named seventh biggest 'climate killer' by NGOs Urgewald and BankTrack, after having invested £9.3 billion in fossil fuels since 2005
May 2012: Friends of the Earth Scotland reveals bank shelled out nearly £40 billion to oil and gas companies in previous six months
May 2012: Campaigners reveal that the bank had underwritten bonds worth £81.9m for a Canadian tar sands firm in the previous year
November 2012: Puts aside £400mto cover its payment protection insurance mis-selling cases
February 2013: Told to pay over £390m in fines to three regulators for its role in fixing Libor
February 2013: Reveals a £5.17 billion pre-tax loss for previous year, yet still shells out £607m in bonuses to its employees
July 2013: Fined £5.6m by the FCA after incorrectly reporting more than 44m transactions made with other banks and non-retail financial services firms

The 10 most complained about banks (July-Dec 2012)

Rank	Bank	Number of complaints
1	Barclays	414,302
2	Lloyds TSB (Lloyds Banking Group)	349,386
3	Bank of Scotland (Lloyds Banking Group)	338,912
4	MBNA	270,486
5	Santander UK	237,923
6	National Westminster Bank	211,639
7	HSBC	183,721
8	Capital One	146,748
9	The Royal Bank of Scotland	143,148
10	Nationwide Building Society	70,058

Source: Financial Conduct Authority, April 2013

WHAT'S GONE WRONG WITH FINANCE?

BY PAUL ELLIS, ECOLOGY BUILDING SOCIETY

"IN ONE BRANCH OF HSBC IN MEXICO, THEY HAD INCREASED THE SIZES OF THE TELLER WINDOWS IN ORDER TO GET THE DRUG LORDS' BOXES OF CASH THROUGH

How do you begin explaining what's wrong with finance? I started with a list. The list got longer. And longer. I didn't get much further back than the last few months before I'd had enough.

First the Libor scandal, which has so far involved Barclays, the Royal Bank of Scotland and UBS. You could say it's just a bit of gaming in the system, but the reality is that an awful lot of consumer products are set with reference to Libor. And it may well be that in that gaming, there are people who have been put into high levels of debt because products haven't operated in the way they thought.

Barclays' name comes up again in relation to tax avoidance, something that's getting a lot of attention at the moment.

But what does tax avoidance really mean? A friend of mine died last year; having had a heart operation which went wrong, and affected his intestines, he needed help at home. Before he died, he was asked to shuffle down the road to a lamppost and back, to test out whether he needed any help. Because he actually managed that feat, his benefits were removed. He died a few months later.

Cuts to public services aren't solely the result of tax avoidance, but the fact is that key stakeholders in our society aren't paying their share. You can argue as to what that share should be. But the reality is if you want to run a democracy, everybody has to pay.

THE BANKS' ACTIONS ARE NOT VICTIMLESS

Then we move on to the spectacular example of HSBC, which until this story broke, had been seen perhaps as one of the better guys.

But it turns out that nobody in the bank had the slightest idea that money laundering was going on, and on a vast scale. One story reported that in one branch of HSBC in Mexico, they had increased the sizes of the teller windows in order to get the drug lords' boxes of cash through.

It seems that the whole organisation was unaware of this, which I think is a problem in itself. But what does that mean? It translates into other forms of crime such as prostitution, and it translates into people's lives being wasted by drugs. Again, people are directly affected by this. This is not some technical infringement by some law. There are direct impacts on society, and on a very large scale.

And then finally, Barclays decided it would stop speculating on food commodities back on February 12 this year. It happened to be just before products that were based on food commodity speculation were named in the European parliament as being some of the most damaging financial products around.

This kind of speculation ups the price of food. That means increased poverty and indeed starvation. Once again, this is not just some technical exercise within financial markets.

These actions are not victimless.

How is it that we came to accept that these things could happen? That's what amazes me. The idea that greed is good, operating within a mindset that says everything can be handled by the markets and any activity can eventually aggregate to a good outcome, allows people to operate with impunity.

It's profit at any cost: trying to satisfy the greed of others based on a short-term horizon. We're then pushed down a risk curve that says, "Anything goes, if we can get the return quickly".

This ideology is subsequently built into the system: enormous payments to return profits back to the bank or the business unit within the bank, and incentives within the regulatory structure to hide risk so banks can make even more money.

In a sense, the UK economy became utterly dependent on the performance of the finance sector. As a society, we were willing to let these people operate, because we feared the consequences of what would happen to GDP if we didn't get this boost to our economy.

Some of the consequences of this are reflected in our financial infrastructure. We've ended up with the problem of concentration, where banks are 'too big to fail'. The impacts are too huge if we allowed one of these banks to go under. But they're also too big to manage, and thus you get scenarios like at HSBC, where the directors said they had no real idea money laundering was going on in Mexico.

We've seen banks moving into areas that they don't really understand, widening activity in order to get profit, and ending up with blurred divisions between retail and investment banking.

But it's not just the banks themselves that are the problem. The regulatory structure, I believe, is badly designed. It really only works for large banks, and it struggles to accommodate the need to create competition and allow new entrants, especially new mutuals. The shareholder control model in plcs really does not work anymore.

But we are all complicit in this to some degree. We all want big pensions. We all want high returns on our savings products. We all want free banking, which isn't really free. Because it hides the real price, this acts as a barrier to new entrants in the current account market.

We didn't inform ourselves as to how the finance system works. We were happy to be able to get the loans and the high interest rates on our savings accounts, without asking how they could possibly pay these rates. The basic fundamentals of the system were wrong and, inevitably, the whole thing collapsed.

We've been too willing to act as consumers, rather than as citizens. We've been willing to let the banks do the work for us, and now it's time to question and be more engaged. That's where the democratisation of finance really begins.

Paul Ellis is chief executive of Ecology Building Society. www.ecology.co.uk

SHOCKING AND WIDESPREAD MALPRACTICE: WHAT THE BANKING COMMISSION SAYS ABOUT OUR BIG BANKS

IN JUNE, THE PARLIAMENTARY COMMISSION ON BANKING STANDARDS ISSUED ITS FINAL AMENDMENTS TO THE BANKING REFORM BILL TO ADDRESS WHAT IT CALLED "SHOCKING AND WIDESPREAD MALPRACTICE" WITHIN THE BANKING SECTOR, AND FINALLY SPELL AN END TO IRRESPONSIBLE ACTIVITY.

BY ILARIA BERTINI

The commission was assembled following the Libor scandal in 2012, and charged with reviewing professional standards and culture in the UK banking sector. It aims to reform behaviour that it defined as unsustainable and deteriorating, for the good of taxpayers, customers, employees and shareholders.

The reports published by the commission, called 'Changing banking for good', outlined a series of measures aimed at tackling irresponsible and unethical banking, such as placing greater responsibility on senior staff and a new remuneration codes. The former means that in the most serious cases of malpractice, those responsible might end up being criminally prosecuted and sent to jail for reckless misconduct.

When initially announcing the measures, the chair of the committee Andrew Tyrie said, "Taxpayers and customers have lost out. The economy has suffered. The reputation of the financial sector has been gravely damaged. Trust in banking has fallen to a new low."

He added, "It is not just bankers that need to change. The actions of regulators and governments have contributed to the decline in standards."

One measure suggested relates to the possibility of directly affecting bankers' earnings, with an appointed authority able to cancel all outstanding deferred remuneration of senior bank employees if the bank fails and therefore needs taxpayers' support.

The commission suggested the creation of a Senior Persons Regime, to make sure that the most crucial responsibilities are on senior individuals, completely accountable for the decisions related to the bank. Finally, a new remuneration code would ensure a balance between risks taken and rewards received in remuneration, with much more remuneration set to be received over a longer time lapse.

The commission's proposals – particularly the possibility of bankers going to jail – have been met with mixed reactions. The Law Society argued that sending those responsible to prison would not be an effective solution to solve banking malpractice.
"Introducing recklessness as the basis for an offence means that prosecutors will have to decide, possibly years after a business decision was taken, whether it was reckless or not at the time", said its chief executive Desmond Hudson. "Business decisions will always involve a degree of risk; the commercial environment is unpredictable and, while a decision may be characterised as reckless with the benefit of hindsight, at the time it is taken it may be a perfectly reasonable course of action."
Similarly, head of market and corporate development at values-based Triodos Bank James Vaccaro wrote on Blue & Green Tomorrow, "The commission said it wasn't just one or two bad apples, although it didn't quite get into the entire mechanics of the disease in the orchard.
"It talks about punishing bankers for banks that fail – but what about being able to take measures before a bank fails? Regulators should be investigating things like unsustainable lending and high-carbon investments – things that are likely to be limits in the future."
However, Laura Willoughby from the Move your Money campaign welcomed the report and the measures proposed. She said, "Bankers must be responsible for their actions, customers need more choice and freedom to switch when unhappy and the economy needs trustworthy regulators."
Meanwhile Paul Ellis, chief executive of Ecology Building Society, said the commission's report represented a crucial milestone as "recklessness and impunity will no longer be the status quo".
All parties agree that a problem exists – something clearly outlined by the commission. In one report, it said, "Many bank staff have been paid too much for doing the wrong things [...] but the penalties for failure, often manifest only later, have been much smaller or negligible", while top bankers "dodged accountability for failings on their watch by claiming ignorance or hiding behind collective decision-making".
There might be different formulas to address these problems, but one thing is clear. Banks need to change their attitude, putting society and the common good at the core of their businesses and regaining the trust of their customers. For now they know they will be vilified by everyone for behaviour of any other kind.

Ilaria Bertini is a journalist at Blue & Green Tomorrow.

To view the full parliamentary commission on banking standards report, see here: bit.ly/12TVqYY

OUR BANKS ARE DISCONNECTED FROM THE REAL ECONOMY

BY RYAN BRIGHTWELL

Most commentators seem to agree that a return to 'back to basics' banking is needed if we are to avoid the kind of speculative bubbles that tanked the global economy in 2008.

This means banks should focus on taking deposits and offering loans, and making a fair margin on the difference in interest rates between the two. (Once, bankers were said to adhere to something called the 3-6-3 rule: pay 3% interest on deposits, loan at 6%, and be on the golf course by 3pm. This was characteristic of a lazy, uncompetitive banking market, but one which, at least, didn't crash the world economy.)

How close are we to achieving this 'back to basics' banking model in the UK? Greg Van Elsen of the Belgian NGO FairFin last year published a report, 'A Bank in Reverse', which investigated this question in a Belgian context. The report looked into the financial statements of banks active in Belgium, and sought to identify the country's "most respectable" bank, that which was most dedicated to funding the real economy and least concerned with short-term trading for profit.

"We are convinced", wrote FairFin, "that most banks should become somewhat better behaved, and be mostly at the service of the real economy. So in fact, a bank in reverse." So let's look at the equivalent data for the main banks in the UK.

One of the important ratios the report looked at was the proportion of a bank's assets which is accounted for by 'loans and advances to customers', including lending to businesses and individuals (but not to other banks). This is, after all, what we expect banks to be doing with our money.

"JUST 42% OF THE TOTAL ASSETS HELD BY BRITISH BANKS IS ACTUALLY LOANED TO CUSTOMERS

Looking at this data for the UK's main banking groups shows that overall, banks are only using a minority of their assets to provide loans to their customers. In fact, just 42% of the total assets held by British banks is actually loaned to customers. While some of the rest is held as cash and in central banks, a much larger amount is held in derivatives and other short-term assets 'held for trade'.

Barclays stands out as the only bank with less than one-third of its assets being lent to customers. HSBC and RBS also use a minority of their capital for what most of us recognise as 'banking'.

While none of the British banks fared as badly as Deutsche Bank, which FairFin found used only 19% of its assets for lending, this is a poor picture overall.

The Co-operative Bank was the only bank lending out more than two-thirds of its balance sheet to customers

Table 1: Loans to Customers/Total Assets

	2012	2011	Trend
Darclays	Poor (29%)	Poor (29%)	Flat
HSBC	Poor (37%)	Poor (37%)	Flat
RBS	Poor (38%)	Poor (34%)	Increasing
Lloyds	Average (56%)	Average (58%)	Decreasing
Santander	Average (59%)	Good (61%)	Decreasing
Co-operative	Good (67%)	Good (60%)	Decreasing
Average(weighted)	**Poor (42%)**	**Poor (41%)**	Increasing

Source: Banks' 2012 Annual Reports - Loans and advances to customers divided by total assets.

This is a simple ratio to calculate, but it tells us something about how much of a bank's attention is focused on financing the real economy.*

Calculating the amount of money banks set aside for short-term trading is a more challenging task, and directly comparable figures are not available for all banks. (As such, this data should be treated with caution.) Again, following FairFin's methodology, the data below looks at the securities portfolio of the banks to identify 'securities held for trading' – the assets most likely to be held for short-term profit-making. ('Securities held to maturity', in contrast, concern assets that a bank intends to hold to maturity, and thus are not speculative in nature.)

These figures show a clear correlation between those banks lending a smaller proportion of their capital to customers and those with investing a greater proportion in speculative trading. The Royal Bank of Scotland (RBS) and Barclays stand out as the two banks dedicating more of their assets to short-term trading than they do to actual loans to customers. For RBS – 82% owned, of course, by the British taxpayer – more than half of its assets are 'held for trading'. The Co-operative Bank, meanwhile, reports investment in derivatives at just 2% of its total assets.

Table 2: Trading Assets/Total Assets 2012

	Trading Assets	Total Assets	Ratio
RBS	£666,458m	£1,312,295m	Very poor (51%)
Barclays	£602,555m	£1,490,321m	Very poor (40%)
HSBC	£471,682m	£1,665,335m	Poor (28%)
Santander	£145,424m	£1,037,756m	Average (14%)
Lloyds	£68,324m	£924,552m	Average (7%)
Co-operative	£1,159m	£49,573m	Good (2%)

Source: Total Assets from 2012 Annual Reports (Consolidate Balance Sheet). Trading Assets: Lloyds, HSBC and RBS sourced from Form 2OF SEC filings- "assets hold for trading"; Santander sourced from Annual Report Consolidate Balance Sheet - "financial assets held for trading"; Barclays sourced from Form 2OF SEC filings- "total derivative assets held for trading purposes". Data for HSBC and Santander has been converted to GBP using Oanda.com exchange change rates the balance sheet data (31/12/2012). While every effort has been taken to source the most appropriate data for each bank, care should be taken as ata may not be directly comparable.

> **'BACK TO BASICS BANKING' REMAINS A LONG WAY OFF**

This is analysis is certainly a simplification of the complex operations of today's banking giants, and further research is needed to identify trading assets which may support the real economy in a positive way. Also, it must be noted that few banks disclose enough information to identify how much of their loans to customers are supporting unsuitable or unjust economic activities. However, the aim of this analysis is to identify what proportion of a bank's attention is focused on the productive economy, and what proportion is being gambled in pursuit of short-term profits. The data suggests that, for most of the sector, 'back to basics banking' remains a long way off.

** While this analysis is new, similar data has been produced by others in previous years. After compiling these figures, it came to my attention that a similar exercise was carried out on the basis of 2011 data by the European Green party for the website bankingsins.eu. This data is consistent with their figures, but provides an update for 2012, as well as some additional analysis on the picture for the overall market. Their methodology for calculating speculative activity was slightly different, focusing purely on derivatives.*

Ryan Brightwell is the founder of Bright Analysis, a research consultancy for sustainability and social change. www.brightanalysis.eu

WILL BARCLAYS BECOME THE WORLD'S FIRST ETHICAL BANKING SUPERPOWER?

BY ALEX BLACKBURNE

The Libor rate-rigging scandal, a shareholder revolt over executive pay, "aggressive" tax avoidance and an award for "social and ecological offences" made 2012 an overall unpleasant year for Barclays, to say the very least.

Its reputation took an arguably bigger hit than any of the other high street banks in the UK and made a mockery of its establishing principles – honesty, integrity and plain-dealing – which were engraved into its foundation in the 17th century by a group of Quakers.

But since it was fined £276m for its role in the Libor scandal in June 2012 – after which, chief executive Bob Diamond and chairman Marcus Agius both swiftly resigned – the spotlight of unethical behaviour has focused its attention on other banks.

While HSBC was paying a £1.2 billion money laundering fine, the Royal Bank of Scotland was shelling out for Libor and Lloyds TSB was coping with a £439m half-year loss, a shift change appeared to be happening at Barclays HQ in Canary Wharf.

Replacing Bob Diamond as chief executive in August 2012 was Antony Jenkins, who had occupied a number of high-profile positions at Barclays, Barclaycard and Citigroup in a career spanning almost three decades. Judging by his CV, Jenkins was not a man you'd expect to lead an ethical revolution at one of Britain's biggest banks.

His predecessor Diamond had left the firm in explosive circumstances, and appeared before the Treasury committee to discuss his former employers' role in the Libor scandal just a day after resigning. Labour MP John Mann, who sits on the committee, was particularly bullish towards the former Barclays chief.

"You're the man in charge. But you're accepting all the good things and the bonuses [and] the people working for you are fiddling the system, potentially going to prison", Mann said, directly to Diamond.

"Give me a suggestion of how you're going to show contrition to those staff and customers who are wondering whether to take their money out of this rotten, thieving bank?"

Diamond surrendered after over

THE FUTURE OF THE BANKING SECTOR LOOKS A LOT DIFFERENT TO THE MONOPOLISED, HIGH STREET-LED INDUSTRY WE'VE GOT NOW

two hours of questioning, accepting responsibility for his bank's misdemeanour in rigging Libor. But that's where it more or less all went quiet for Barclays.

Fast forward six months and Jenkins came out with something rather extraordinary. After taking on the chief executive role at a bank riddled with unethical and irresponsible dealings, he took the bold steps to send a memo to all 140,000 Barclays employees across the world, explaining that if they didn't agree with a renewed set of values, they should quit.

He announced in January that respect, integrity, service, excellence and stewardship will form a five-point ethical code that all employees must adhere to, in an effort to shake off the unwanted legacy left by years of dishonourable behaviour.

Jenkins told the banking standards committee in February, "We are shredding that legacy and in the value of stewardship, whoever is sitting in front of a committee in a decade's time – I want them to have inherited a fundamentally different culture.

"We should shred those behaviours of the past; we should shred situations where we're short-termist, too aggressive and too self-centred. It's those things I want to eliminate from our culture."

A few days later, it was revealed that Barclays would be closing down the part of its business that helps customers legally avoid tax.

Jenkins said, "Although this was legal, going forward such activity is incompatible with our purpose. We will not engage in it again."

These two steps – although small in terms of what changes are needed in order to truly transform Barclays into a sustainable institution – are entirely welcome. And, dare I say it, a surprise. Research has continued to show that adopting ethical values can only benefit a bank in the long-term, so as well as being an overdue moral choice, it's a sensible business decision, too.

Dedicated ethical and sustainable banking institutions were built on similar ethical principles to Barclays. The difference is that they have kept true to these values, and haven't gone searching for profit at any cost.

The future of the banking sector looks a lot different to the monopolised, high street-led industry we've got now. That's not to say that big banks don't work; it's just that their ownership structures need to be different, with co-operative and mutual models becoming increasingly popular.

The large financial institutions of the future won't look anything like the ones we have now. Sustainability, transparency and accountability will be inherent, and it seems as though Antony Jenkins has realised this.

The big four banks – Barclays, Lloyds, RBS and HSBC – now account for 75% of the current account market, which is valued at £9 billion. So it would be foolish to think that we are going to make our banking sector sustainable without them.

Jenkins' ambitious pledge to revolutionise Barclays must not be a hollow promise that ends here. He must ensure that every part of the company factors in sustainability and leads with customer values at its heart.

This will by no means solve all the problems caused by the financial services industry; nor will it right all the wrongs made by Barclays and other banks in recent years. But what it will do is prove to others that ethical banking really is the right direction of travel, in the hope that others follow suit.

Alex Blackburne is the editor of Blue & Green Tomorrow.

THE CO-OPERATIVE BANK AND ETHICS

BY NICKY STUBBS

ONCE SEEN AS THE LEADING ETHICAL BANKING OPTION, THE CO-OPERATIVE BANK HAS ENDURED A TOUGH 12 MONTHS AFTER FINANCING PROBLEMS LED TO IT UNVEILING A £1.5 BILLION RESCUE PLAN. IS IT POSSIBLE FOR THE BANK TO REMAIN AT THE FOREFRONT OF ETHICAL BANKING?

It was April 2013 when it emerged that the Co-operative Bank had come into financial difficulties.

A deal to purchase 632 Lloyds branches – which would have increased its market share from 1% to 7% – fell through, leading many to question why.

The collapse of the deal owes its origins to the Co-op's 2009 acquisition of Britannia Building Society, and along with it, the bad debts accumulated by Britannia.

The complexities that are so defining of the banking system mean that however fiscally disciplined one bank may be, it is not immune to the problems that exist outside its own walls.

As a result, the Co-operative encountered a £1.5 billion shortfall in its balance sheet. To plug the hole, shares were made available for commercial investors – for the first time in its 141-year history.

The process of diversifying a co-operative creates a contradiction in values when one considers that a mutually-owned organisation is, by definition, owned by its consumers. This contrasts with a traditional capitalist system. The Co-op has long prided itself on political and economic independence, but will a shareholder-based system allow for continued strong

ethical values within the organisation? Euan Sutherland, CEO of overarching Co-op Group, insisted at the time that its focus on ethical banking would continue, telling the BBC back in June, "[There is] no change to our ethos or the way we run our bank."

These assertions were also supported by other professionals, including Martin Shaw, chief executive of the Association of Financial Mutuals, who said that customers would not notice any difference in the way things were being run.

Theoretically, the Co-operative Bank does not exist as a co-operative in its purest form – that is, with direct consumer ownership – due to a lack of clarity in British regulation. Whilst other European countries enjoy a system where the assets are commonly owned by members, UK banks exist officially as a company in their own right. This is owned by members, through a system of profit sharing.

In an article written around the time of the Lloyds deal collapse, Ed Mayo, secretary-general of trade body Co-operatives UK, set out the basic formulation of a co-operative.

"What starts as one form of enterprise can change", he said.

"Some co-operatives begin as 100% member owned, and then diversify, offering shares to investor-owners. This applies mainly to farmer co-ops, but also, internationally, to some others needing large investments, such as telecoms and insurance co-operatives."

The Co-operative Bank is defined by these terms, and the diversification of the bank was certainly a necessity so that it could continue its work, which customers have been promised will not differ.

Mayo continued, "While member ownership is obscured it still exists in a pure form behind the business. Sometimes investors are brought into direct ownership, and here the business can still be seen as member-owned if members retain more than 50% of the equity. However, there are doubts as to whether in practice members can exert enough influence to be said to be still in control."

So as long as the bank retains that system throughout at least 51% of the company, it is, by definition, a co-operative, where the interests of its members come first. It is problematic however, when one considers that a large proportion of the bank will be in the hands of outside investors.

Although there may have to be some form of compromise in governance, its executives certainly need to continue to advocate ethical practices. And with strong governance, the Co-operative Bank can continue to serve its customers and the wider community in which it operates.

The next 12 months will therefore be crucial in the future of the Co-op. The industry and society will be severely let down if it fails to maintain the ethical leadership it has displayed over the past few decades.

Nicky Stubbs is a journalist at Blue & Green Tomorrow

SWITCHING YOUR CURRENT ACCOUNT JUST GOT EASIER

BY TOM REVELL

The long-awaited current account switching service was launched in September across 33 banks and building societies.

The £750m government-backed project guarantees that customers can change current account providers within seven days. It is aimed not just at reducing inconvenience, but also at shaking up the British banking sector, and it is hoped that the service will increase competition in the market and loosen the grip of the big banks that dominate the market.

The chancellor George Osborne said the service is a "powerful weapon" while Kevin Mountford, head of banking at MoneySupermarket.com, called it "good news for consumers".

The Payments Council, the body behind the service, has announced that the service is operating smoothly and has got off to "a great start". Although it is too early to tell what switching levels will be over the long term, figures show that more than 35,000 people started to switch their account in the first two weeks.

If you're interested in joining them, then choosing where to take your patronage might not be so simple. Increased competition will mean that banks fight to keep their customers and to attract new ones. They have launched advertising campaigns, and offered a range of incentives and, ultimately, bribes. All of this might make it even more difficult to decide which bank is for you, especially when there is more to consider than simply which will give you the best deal.

Fortunately, if you're thinking about moving your money there are plenty of tools that can offer practical advice. Which? [which.co.uk] and Money Saving Expert [moneysavingexpert.com] both offer invaluable tips for finding a bank account which is right for you.

To do this, they help you figure out 'what kind of customer you are'. Are you always in credit? Or do you sometimes go overdrawn? Working out factors such as this can be crucial in finding the bank account that works out cheapest and most rewarding for you.

Meanwhile, YourEthicalMoney.org encourages banking customers to consider what their bank is doing with their money. Your money doesn't just sit waiting in your bank account until you need it; your bank lends it on to corporations, institutions and even governments. If you found out your bank is lending your money to heavily polluting industries, arms manufacturers or oppressive regimes, would you let them continue?

YourEthicalMoney.org has developed an easy-to-use search engine [see page 40] that allows you to investigate your provider's performance in the areas which matter most to you. It also provides a five-step process to find out more about your existing bank and potentially choose a new one:

STEP 1 – Research: What exactly are your bank's green and ethical lending policy? Are they carbon neutral, for example? Do they lend responsibly? Research on their website, or contact them directly to ask.

STEP 2 – Support: If you're happy with the answers you find, let them know, as it make help ensure that they maintain these policies.

STEP 3 – Oppose: If you're not happy, then there's even more reason to let them know. Make yourself heard.

STEP 4 – Switch: If your bank does not meet your ethical standards, find one that does. Use YourEthicalMoney.org's banking search to compare.

STEP 5 – Stay informed: Use sources such as Banktrack to keep up to date with your bank's behaviour.

To coincide with the launch of the new service, campaign group Move Your Money [moveyourmoney.org.uk] has published a scorecard that also rates banks on their ethical performances in. The so-called big five – Barclays, HSBC, Lloyds, the Royal Bank of Scotland and Santander – are said to be among the least honest and the poorest performers in customer service. Meanwhile, top 'green' rated performers include Cumberland Building Society, Coventry Building Society, Reliance Bank, Leeds Building Society, Metrobank, Handelsbank and the Islamic Bank of Britain.

According to statistics released in July by uSwitch.com, as many as 42% of current account holders are likely to change banks now that the service has been launched.

However, contrasting research conducted for Sky News found that 82% of respondents say that they are happy enough with their current account and are unlikely to change.

Indeed, the service's start has not been quite as positive as the Payments Council may have hoped. Some have argued that it is encountering teething problems, from complications with utility providers to banks refusing transfer requests because of missing information.

Laura Willoughby, chief executive of Move Your Money, said, "What's really becoming clear is that it's still more than seven days. The guarantee gives people some reassurance but there's certainly some teething issues that have come through."

Furthermore, she argued that the service alone is not enough to revolutionise the UK banking sector, as many ethical banks do not presently offer current account services.

"The government still needs to deal with the issues around the payment system, which is blocking new banks and current banks from offering current accounts," she added.

"It's certainly not enough to create the competition that people want to see, because once people are looking to switch accounts, they don't have much choice. When we get that choice, the real switch up will happen."

Visit www.paymentscouncil.org.uk/switch_service for more information.

Tom Revell is a journalist at Blue & Green Tomorrow

"IT IS EASY TO DODGE OUR RESPONSIBILITIES, BUT WE CANNOT DODGE THE CONSEQUENCES OF DODGING OUR RESPONSIBILITIES"

– BRITISH ECONOMIST JOSIAH CHARLES STAMP

"THE STUDY OF MONEY, ABOVE ALL OTHER FIELDS IN ECONOMICS, IS ONE IN WHICH COMPLEXITY IS USED TO DISGUISE TRUTH OR TO EVADE TRUTH, NOT TO REVEAL IT" – CANADIAN ECONOMIST JOHN KENNETH GALBRAITH

"I believe that banking institutions are more dangerous to our liberties than standing armies" – former US president Thomas Jefferson

"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" – US INDUSTRIALIST HENRY FORD

"Banking

IS A VERY TREACHEROUS BUSINESS BECAUSE YOU DON'T REALISE IT IS RISKY UNTIL IT IS TOO LATE. IT IS LIKE CALM WATERS THAT DELIVER HUGE STORMS" – AUTHOR NASSIM NICHOLAS TALEB

"WE DO RECOGNISE THAT THERE ARE AREAS WHERE THE CURRENT FINANCIAL SERVICES MARKET, THE BANKING MARKET, JUST ISN'T WORKING FOR CHUNKS OF THE BRITISH ECONOMY" – BUSINESS SECRETARY VINCE CABLE

"Banks need to think through their ethics very carefully, and many have done so. I don't know any bank that dismisses the concept of ethical banking" – archbishop of Canterbury Justin Welby

"IF YOU WANT TO CHANGE THE WAY YOUR BANKING SYSTEM IS REGULATED, IF YOU WANT TO LEARN THE MISTAKES OF WHAT'S GONE WRONG, THEN YOU HAVE TO CHANGE YOUR GOVERNMENT" – CHANCELLOR OF THE EXCHEQUER GEORGE OSBORNE

THERE ARE ALTERNATIVES...

The co-operative bank

Market Harborough Building Society

Cumberland Building Society

Darlington Building Society
Looking after local interests

Coventry Building Society

Metro Bank

Progressive Building Society

IBB Islamic Bank of Britain

Handelsbanken

marsden Building Society

unity trust bank

reliance bank
The Salvation Army's Bank

Leek United Building Society
The friendlier face of finance

Ecology Building Society

N&P Norwich & Peterborough Building Society

Nationwide

The Loughborough Building Society

Triodos Bank

smile the internet bank
.co.uk

the mansfield building society

Leeds Building Society

Scottish Building Society

TRIODOS BANK

Tall Ships Youth Trust
The Tall Ships Youth Trust is a charity that is dedicated to the personal development of young people through the crewing of ocean going sail training vessels. Founded in 1956 it is the World's oldest and largest sail training charity for young people aged 12-25.

At a recent event in Bristol, 500 people gathered to discuss banking – but not as we know it. Talk of executive remuneration was replaced by discussions about environmental responsibility, as customers of Triodos Bank learnt first-hand what their money was doing to benefit society, the planet and culture.

As one of the oldest dedicated sustainable banks in the UK market, Triodos has become a formidable name not only in the UK, but in continental Europe. The Triodos Group as a whole increased its customer base by 40,000 in the first six months of 2013, meaning now nearly half a million people bank with it across Europe.

Headquartered in the Netherlands with branches in Belgium, Germany, Spain and the UK, the group made international profits of £25.1m in 2012, and in the first half of 2013, racked up £15.6m. Meanwhile, the UK bank specifically broke the £500m barrier in its lending to sustainable businesses and projects in March this year.

"Fundamentally, if you want to experience the power of your money, then we can give you a way of doing that", says the bank's charismatic UK chief executive Charles Middleton.

"What you'll get extra with us is that while your money is with us, it will really be making things happen which I hope people feel really good about."

The bank currently offers a wide range of products, from standard savings accounts, through to cash ISAs, equity ISAs, retail equity funds and direct investment opportunities. The missing piece in its current wares though is a current account – one of the most expensive and complex products for a bank to offer.

For some time, one of the charges levelled at the alternative sector is that there are simply too few day-to-day banking options available. However, at the event in Bristol – an annual general meeting for customers to connect with the projects they help finance – Middleton confirmed a rumour that had surfaced a few months before: Triodos has plans in place to launch a current account.

"When we made the announcement, there were resounding cheers from the floor which is always encouraging", Middleton laughs.

"To be honest, though, we would expect that from that group of people. They are people who are very obviously supporting us in a very positive way. But there is broader evidence of that appetite, and I think it's a natural progression for us.

"We feel confident that in any way people want to engage in the social or environmental sectors, they can do that through us. So it makes sense to launch a current account so that people can actually bank with us as well."

Middleton, 56, spent 21 years at Barclays before joining Triodos in 2003. Not your average bank chief executive, he told Blue

Callander Youth Project Trust
Callander Youth Project Trust (CYPT) is an independent, voluntary youth organisation. CYPT delivers a wide range of activities for young people; including youth clubs, job club, holiday programmes, art sessions, as well as health and sport initiatives. CYPT also delivers bespoke employability support for young people who have left school and are looking for work.

"THERE ARE DEFINITE SIGNS OF PEOPLE MAKING MORE CONSCIOUS CHOICES. THAT WILL INFLUENCE THE BANKS TO CHANGE

& Green Tomorrow in the 2012 edition of this guide that the bank's mission and values were "absolutely aligned" with what he wanted to do after two decades in the mainstream banking arena.

Twelve months down the line since our last in-depth conversation, his former employers have turned somewhat of a corner, with new boss Antony Jenkins urging the bank's 140,000 employees to quit if they didn't sign up to its renewed ethical values.

"One should applaud that, and at the same time, challenge them to push that through so it really becomes real", Middleton says of Barclays.

"There have been some indications of these banks trying to take their businesses forward in a direction that has more responsibility, that takes the whole issue of their presence in society more seriously, but let's be honest, I think the jury is still very much out in terms of whether that's really going to have the impact we want it to have.

"I would support any initiative that is going to help move these banks in the right direction, but I think it's very early days in terms of how they really are. I'm an optimist; I think the banks have hit a seriously low point and it is shameful that the financial sector has got into this position.

"My sense is that we can't get any lower, but we've been proved wrong on that before. What is really encouraging, though, is that there are definite signs of people making more conscious choices. That will not only help us, but it will also influence the banks to change."

Triodos remains a kingpin of sustainable banking in the UK. Its current account is set to be launched at the back end of 2015 or in early 2016, and the bank has also recently unveiled a pair of ethical investment funds in an effort to widen its impact.

But why do people bank with Triodos? What are their motivations? One customer at its AGM recently told Blue & Green Tomorrow, "I feel it's important that financial organisations have a beneficial impact on society rather than a detrimental one."

A simple explanation, and one that suggests banking – contrary to popular belief – does not have to be evil after all.

KEY STATS:

Founded: 1995 (Dutch parent group launched in 1980)
Specialisms: Using money for positive social, environmental and cultural change
Customers: Individuals and businesses
Website: www.triodos.co.uk

Triodos Bank

SUSTAINABLE BANKS MORE 'ROBUST AND RESILIENT' THAN HIGH STREET INSTITUTIONS

A 10-year comparison of some of the world's biggest banks against a group of dedicated sustainable ones found in November that institutions that place values at the forefront of their business model outstrip their mainstream counterparts in almost every department.

The study by the Global Alliance for Banking on Values (GABV), called 'Strong and Straightforward: The Business Case for Sustainable Banking', found sustainable institutions to be more "robust and resilient" than much of the high street, as well as making a significantly bigger impact on society and the real economy.

The findings show that on average, sustainable banks contribute over 72% of their balance sheet in loans and deposits to the real economy – the production of goods and services as opposed to gambling on financial markets. Meanwhile, the bigger banks – called Global Systemically Important Financial Institutions (GSIFIs) – set aside just over 40%.

Sustainable banks were also found to make better returns on both equity and assets, as well as boasting a 16.6% average growth rate over the 10-year period, compared to just 6.9% among the GSIFIs.

"This study is crucial because it highlights the fact that the banks that dominate the current banking system have relatively low levels of lending to the real economy and relatively low capital positions", said Peter Blom, chair of the GABV and CEO of Triodos Bank.

"Sustainable banks haven't developed their banking models because of regulations. They operate a different business model because of their values-based approach.

"The evidence now shows that this approach means a commitment to the real economy, a demonstrable resilience, and steady and reasonable returns."

Added to the recent instability within the mainstream banking arena – both financially and regulatory – the GABV's report outlines some of the many reasons why an increasing number of individuals have opted to ditch high street institutions in favour of smaller, more sustainable banks.

Thomas Jorberg, member of the GABV steering committee and CEO of GLS Bank in Germany, said that the report into the "robust" business model of sustainable banks outlines just how important they are in delivering sustainable growth in the economy.

"For some time sustainable banks have quietly gone about their business, focusing on financing the real economy and adopting a prudent approach to their capital position, precisely because they view profit as a means to an end, not an end in itself", he said.

"This new study is crucial, because it exposes how the world's biggest banks have disconnected from the real economy.

"Regulators have a chance to learn from these findings and move the banking industry on to a surer, fairer footing. We call on them to take it."

CHARITY BANK

Over a decade ago at 11 Downing Street, Gordon Brown – then chancellor of the exchequer in Tony Blair's Labour government – cut the ribbon on a bank that had just secured approval from the regulators.

In Brown's own words, though, this was "more than just another bank". It had, he said, "an emphasis on financing, not just fundraising; investing, not just giving; fostering a new spirit of self-sufficiency in the voluntary sector and changing the way people see their own communities."

At the time, former Bank of England governor Sir Edward George said, "I can't over emphasise the importance for all of us in both economic and social terms of bringing those on the outside into the mainstream."

The bank in question was Charity Bank. Whereas Brown has elevated to and descended from the frontline of British politics in the 11 years since, Charity Bank has transcended from a small start-up to an increasingly popular option for socially-conscious individuals looking to exit the stranglehold of the mainstream banks. Lending solely to charities and social enterprises using money from investors and depositors, it is now one of the leading alternative options away from the high street. Its 2012 report says that two-thirds (66%) of the projects it has funded would have been untenable without its financial backing. Meanwhile, 95% of borrowers claim that Charity Bank's loan had made a "major or significant" contribution to the fulfilling of their core mission.

In March 2013, the bank underwent a fairly fundamental change. Having launched as a registered charity and an authorised bank in 2002, the organisation announced its intention to cease to be a charity. New banking regulations had begun to make it difficult for Charity Bank to operate simultaneously as a regulated bank and a charity. The move to change its status, it said, would enable the bank to raise capital from a wider community of social investors, helping to boost its lending to the charitable and social sectors.

Hebridean Whale and Dolphin Trust
The Trust has a floating classroom where school children can learn about local sea life. Charity Bank has provided several loans, most recently £20,000 for essential repairs and £5,000 for working capital.
www.whaledolphintrust.co.uk

"Not one depositor withdrew money from Charity Bank on the ground of our change in status", says Patrick Crawford, the bank's chief executive.

"A few raised questions, to which we responded, but we're not aware that significant concerns were expressed to the Charity Commission either.

"We felt that by setting out the rationale and background, and by providing reassurance that our mission and our approach to the mission would not be changed, our supporters could feel confident that we would stay the same safe, social purpose bank that they had invested in or deposited money with."

Having spent 26 years at Deutsche Bank, and also working in fund management for Africa with a number of European aid agencies and as a civil servant, Crawford

Voluntary Action Calderdale
This charity provides infrastructure support to local volunteer groups. A loan of £220,000 helped buy and renovate new premises, extending the organisation's reach and helping it to reduce costs.
www.cvac.org.uk

replaced former chief executive Malcolm Hayday in November 2012.
The decision to drop Charity Bank's charitable status was made prior to his arrival.
"What borrowers will see is an ability to make bigger loans and to make more of them", he told Blue & Green Tomorrow in March, adding that the bank's emphasis will remain on making relatively small loans.
"They will be the beneficiaries of what will be a rather larger bank with more firepower to lend to the sector. We will remain a mission-driven and impact-focused bank and our ability to grow means that we will achieve financial sustainability. We haven't achieved this yet because of our relatively small size, but it is in the interests of the sector."
Crawford's three-year vision for the organisation includes helping the bank to grow and raise new capital to support this growth – something helped by its new status. And research conducted in 2013 suggests the need for a bank like Charity Bank is as strong as ever, with 69% of charities saying they had been unsuccessful in getting loans from one of the big banks.
"All the evidence that we have is that there are continuing market failures in the provision of debt to smaller charities and smaller social enterprises and that the original vision that led to the creation of the bank in 2002 holds good", says Crawford.
"The board is clear that in order to respond to that demand, we should grow and ensure that we're an enduring institution that can be available to respond to the needs of the sector, that is within the sector, understands the sector and is committed to enabling the sector to achieve the impacts that our borrowers wish to make.
"The mission is quite simply to do more of the same on a bigger scale, so that more beneficiaries can benefit from the activities of our borrowers and help them to achieve their purposes on a stronger and better basis."
But with growth comes greater responsibility. Charity Bank currently runs open days – this year held in London and Manchester, with plans to expand that reach as its customer base expands - which allow borrowers, savers and investors to congregate and talk about what their money is doing, and it also puts on Different Journeys events where savers can visit charities have received one of its loans.
For Crawford, this is an aspect of his bank that he wants to retain: "It's quite important for us to retain that sense of personal contact. Savers can see and talk to the bank's management, they can share a table with a borrower and bank staff, and they can feel part of a community with a shared interest. We think there is close alignment between the savers, the bank, its board and staff, and its borrowers and that this is a distinctive feature of the bank."
Keeping this personal touch – the ability for customers to meet the people looking after and investing their money – is crucial if Charity Bank wants to remain a haven for socially-conscious individuals. Particularly at a time when one of the major failings of the mainstream banks – according to numerous independent surveys – is the impersonal treatment they hand out to customers.
"There is a lot of appetite from consumers for a more diverse finance sector", Crawford concludes.
"The government is keen to promote the challengers to the large banks and therefore, there is support for new forms of delivering financial products to SMEs or to the social investment sector be it through crowdfunding platforms or through alternative forms of social purpose banks.
"There is also ample evidence that the ethical consumer market is growing in this country, and banks such as Charity Bank that combine a financial return with a social return are responding to this growing movement, which has been reflected by consumer attitudes in lots of other walks of life."

KEY STATS:

Founded: 2002
Specialisms: Lends to the charitable and social sectors
Customers: Individuals and organisations
Website: www.charitybank.org

CHARITY BANK


Making a bigger difference

UNITY TRUST BANK

In January of this year, Barclays chief executive Antony Jenkins made a bold statement to the bank's 140,000 employees across the world. Unveiling a set of five ethical values – respect, integrity, service, excellence and stewardship – he called on staff to quit if their own morals didn't sit squarely with their employer's.

"The rules have changed", he said. "You won't feel comfortable at Barclays and, to be frank, we won't feel comfortable with you as colleagues."

His comments were welcome, given the 12 months the bank had had – including the Libor fixing scandal, tax avoidance accusations and executive pay revolts.

But some of the smaller players in the banking world were left scratching their head, for the five-pillared ethical values Jenkins had outlined were already at the heart of their organisations, and had been for years.

"We have social change and community benefit at the heart of everything we do", says Peter Kelly, business development and marketing director at Unity Trust Bank – a specialist bank for social enterprises, charities, trade unions, councils and other organisations operating in the social economy.

Formed in 1984, its grounding principles – which remain as strong as ever today – include phrases such as "embracing the philosophy of the common good" and "not principally influenced by the maximising of the profit motive".

Given the scandals and irresponsibility that litters our newspaper front pages about banking, with these uncharacteristic values, you start to question whether Unity Trust is a bank at all. But a bank it certainly is. But one that seeks to achieve social impact in everything it does,

"Our mission is to achieve growth by being socially-focused, customer-centred and commercially-driven", explains Kelly.

"We take great heart by the fact most of our customers want to do business with us – because we're specialist and customers often feel that we are aligned to their values."

As well as the obvious cultural and ethical differences between it and the high street names, Unity is set aside in another way, in that its customers are very specific. It doesn't offer banking services to individuals (and has no plans to), and instead focuses entirely on the social economy.

Among its customers are housing

Unity Trust Bank recently lent £3.5m to Sandwell Community Caring Trust, a charity that provides housing and care services for disabled and elderly people in the West Midlands. The loan enabled it to purchase Hall Green residential care home in West Bromwich, which it will use to deliver a high-quality, 62-bed specialist home for people with dementia.

associations, trade unions, community development finance institutions (CDFIs), councils and community interest companies.

"The other thing for us is that all the staff at Unity believe passionately in the bank's values", Kelly adds. "Equally, we have very high levels of customer satisfaction."

He describes Unity's staff as the bank's "most important asset". And for evidence of its commitment to the people who work for it, it introduced an employee ownership scheme earlier this year.

The government's independent adviser on employee ownership, Graeme Nuttall, outlined the benefits of employee ownership in a recent review. Such schemes, he said, "ṣcreateṭ successful businesses in which employees enjoy working and which deliver wider benefits".

"For an organisation that talks about being here to promote the common good, and to provide social and community benefit, it is just entirely right for us to enable our people to have a stake in the organisation", Kelly says.

"We're not moving to a model of entire employee ownership, but this is really important in the cultural progress and future of Unity Trust to enable our people to have part-ownership of the organisation to make them feel part of it.

"If you look at research, you find that employees who have a share in an organisation tend to have lower staff turnover, better staff morale and in turn, we strongly believe that will lead to even better customer satisfaction, because our people are involved in the organisation. It was a no-brainer to us, and it's been extremely well received by our employees."

As well as this, in April, Unity Trust became the first British bank to receive Living Wage employer accreditation. Employers with this certification pay all workers over the age of 18 rates of at least £8.55 an hour in London, and £7.45 elsewhere in the UK – significantly higher than the national minimum wage of £6.19 for employees aged 21 and over.

Richard Wilcox, the bank's managing director, said at the time, "As a socially responsible bank founded on strong social values, this is a natural step for Unity."

It's hoped that this emphasis on its staff – as well as its strong, socially responsible founding principles – places Unity Trust head and shoulders above mainstream banks competing for similar customers.

Kelly concludes, "My message to any organisation choosing a bank is to think beyond just the numbers, and instead think about whether the bank they're intending to do business with aligns with their own values."

KEY STATS:

Founded: 1984
Specialisms: Banking services for the social economy
Customers: Civil society, social enterprises, CICs, councils, and trade unions
Website: www.unity.co.uk

unitytrust bank

We are the bank for the SOCIAL ECONOMY

“

As a social enterprise ourselves, we know that by providing much needed banking and finance to charities, social enterprises, housing providers and CDFIs, we are helping improve the fabric of society by creating jobs, improving wellbeing and retaining wealth in local communities.

WE ARE UNITY

Join us and we’ll create social impact together.

Find out more:

www.unity.co.uk
@unitytrustbank

ECOLOGY BUILDING SOCIETY

PAUL ELLIS, CHIEF EXECUTIVE OF ECOLOGY BUILDING SOCIETY, BRINGS BLUE & GREEN TOMORROW UP TO SPEED ON WHAT HAS HAPPENED OVER THE LAST 12 MONTHS AT ECOLOGY, IN SUSTAINABILITY AND IN BANKING.

Talk us through the last 12 months at Ecology.

We've continued to make good financial progress. We've had continued growth, continued profitability, and again, low levels of arrears and losses. So we feel we're coming through the financial crisis in pretty good shape.

We've been recruiting across the business as we look to take ourselves onto the next level. And we recognise there is still a lot to do within our main objectives, in terms of promoting energy efficiency in our general housing stock, and our other strands such as taking more active roles in affordable housing.

We've been involved in the launch of the Empty Homes initiative, the National Empty Homes Loans Fund. It's very much at a pilot stage, and there'll be some learning and refining as we go forward, but we're certainly very excited to be involved.

Institutionally, we've joined the Global Alliance for Banking on Values which is a major international network of sustainable banks. This will enable us to connect with those banks that are intent on moving banking to a place where it fulfils its proper role of financing the real economy and the needs of communities and ordinary people.

Is moving to an alternative bank like Ecology more attractive than a year ago?

I don't think any of the reasons why people have been minded to move have gone away. I don't think there has been fundamental reform in our banking sector. There are various policy signs to suggest the problems are being recognised and we've seen a greater emphasis on better conduct from the regulators, particularly the Financial Conduct Authority, but I don't think the mindset has changed.

Without the institutional reform, many of these initiatives will be doomed to failure and will be unable to achieve their full potential. That's quite worrying.

More specifically, we're disappointed in the events at the Co-operative Bank, which haven't done the sector any favours. Fortunately, it appears that people understand that this is not a reflection on ethical banking generally speaking. This is perhaps a chance for those banks and other finance institutions like ourselves who really are committed to these principles to articulate our values and to

demonstrate their practical application. The work we're doing with the GABV again reinforces this.

One big gripe among many individuals is the lack of options available for alternative, ethical or sustainable current accounts. Can Ecology address this?

It's very possible that you will see, in the relative short-term, a number of mutuals coming forward with sustainable current account options. That's not to underestimate the amount of work that's needed to actually achieve this, because the way the industry is structured means there are very high hurdles to overcome. But there's a determination amongst a number of organisations, including ourselves, to make those options more widely available.

Ecology was named Company of the Year and Financier of the Year at the New Energy & Cleantech Awards 2013. What did those accolades mean to you?

They're an endorsement of what we've been trying to do over a long period of time: to help create a market in this area, and to demonstrate long-term commitment to the renewables sector, within the overall framework of a need to improve the energy efficiency of our homes, and the whole way in which we deliver energy in terms of its environmental impact.

Why do people move to Ecology?

People who move to Ecology understand that we've got a good financial track record over many years, but their main reason is usually a desire to know what's actually being done with their money – how their personal capital is being deployed.
We direct a lot of energy into making it clear exactly what we intend to do with our members' money, and what we expect the outcomes to be of that activity. That's what people value.

What do you see of the future of sustainable banking in the coming years?

We'll see some convergence, hopefully a movement towards more support for the real economy from mainstream banks. The sustainable banking sector will really lead the way in this because it doesn't have the distractions that the mainstream banks do: it has a very clear focus on establishing the building blocks of an emerging sustainable economy.

You have one thing to say to someone to convince them to switch to Ecology. What is it?

Ask your bank how your money is deployed. Then ask yourself if you can have peace of mind about how the interest you received is generated. How is your money being used in the real world? Does that fit with who you are and what you believe?

KEY STATS:

Founded: 1980
Specialisms: Offers sustainable mortgages for properties, funded through its savings accounts
Customers: Individuals and organisations
Website: www.ecology.co.uk

Ecology Building Society

HANDELSBANKEN

WITH ROOTS IN SWEDEN AND AN EMPHASIS ON DECENTRALISATION AND PERSONAL CUSTOMER RELATIONSHIPS, HANDELSBANKEN HAS QUIETLY BECOME ONE OF THE MOST ATTRACTIVE SUSTAINABLE BANKING ALTERNATIVES ON THE MARKET. ITS UK HEAD OF COMMUNICATIONS, RICHARD WINDER TALKS TO BLUE & GREEN TOMORROW.

Tell us about Handelsbanken.

Handelsbanken has been around since 1871. It grew as a fairly normal bank but in the late-60s, it and most other banks in Europe were experiencing milder versions of some of the problems banks are having today, and I suppose rather daringly, the board of Handelsbanken at the time contemplated quite a radical change in the operating structure of the organisation.

They had seen a smaller provincial bank in Sweden that was eating into Handelsbanken's market share by running a very decentralised organisation with local branch managers taking the day-to-day decisions. The board was interested in talking to the person who made that happen, and so spoke to the CEO of that smaller provincial bank, Jan Wallander, and from those discussions, asked him if he would consider doing the same but at Handelsbanken.

Thankfully, he said yes, as long as he was able to implement this decentralised model in full, which was a tall order. The board agreed to this, and in the early-70s, Wallander and a small team of people led a complete turning upside down of the banks' structure.

What is the theory behind this decentralised model?

Wallander's central thesis was that there are only two things you need as a service organisation to be more profitable than your competitors. One is to have more satisfied customers than your competitors, and the other thing is to have lower costs. On that basis, there is no choice if you're prepared to put your money where your mouth is, but to devolve decision making to local branches. Once that decision has been taken, then there are two reasons why it makes no sense whatsoever to have targeting sets in the centre.

One is that the centre has a much less clear view on what is realistically achievable, so those targets may be under or overambitious. But secondly, if the point is really about customer satisfaction, the targets are completely irrelevant. The only target is that you make sure that you keep your customer satisfied.

Why is the model successful?

Our measure of success has absolutely nothing to do with growth. We don't target growth. If it happens, it's very nice, but it's not what we're looking for.

We have one relative target and that is, in any given year, be more profitable than the average of our banking competitors in our home markets.

The only two ways we seek to achieve that are through happier customers over the longer term, and lower costs - that's the other part of the equation. If you put people in genuine control, they do take very personal control over things like costs.

Is there a typical Handelsbanken customer?

We don't have a 'typical' customer as each of our experienced local branch teams each decide who they do business with. However, we do not see size or wealth, and instead our customers tend to reflect our own values here at Handelsbanken: they tend to be in very good control of their finances; they tend to be financially prudent; and almost all of them want a long-term banking relationship.

We're quite honest in saying that there are lots of people who don't see the benefit of a banking relationship as such, and at different stages in life, people's need for that may well vary.

To become a Handelsbanken customer, you have to get to know the bank. If you're someone who actually just wants an overdraft facility and to draw money out of a cash machine, often you'll say that a relationship bank is not what you need.

How does sustainability relate to your model?

We would probably come from the other side than the norm when we hear sustainability. Does the business model lend towards sustainable behaviour? And obviously, in so many ways ours does.

It is a very low risk business; it tends to be countercyclical. When there's a boom, we tend to put the brakes on because the decisions are being taken at a local level so our managers can clearly see when things are getting a bit risky.

But of course, when a crash comes as it did in 2008, we were in a very good position so didn't have to take any help from shareholders, the state or taxpayers.

Are you an ethical bank?

We very much hope that we are a bank that happens to behave ethically, but wouldn't set ourselves in a pigeon hole to say we're an ethical bank in capital letters. We're a bank that has a sustainable model because it's good, sound business sense and commercially it works as well.

If people look at scandals and the like, then the obvious trigger point would be an internal thought process around ethics. And then it would be quite natural to look for an ethical provider, and a lot of good can be said for such players.

You have to remember, though, that there are those who are not using what they read in the newspapers to have to look for alternative banks, but actually they're being arbitrarily forced to do that having been a good banking customer often for generations. They may not be led first and foremost by a disgust of the organisation's values. They might just need a bank that can support them and that they can build a relationship with locally, rather than remotely.

There are dark greens and there are lighter greens. We would be lighter greens in the sense that our business model doesn't start at the point of ethics. We take that as a given. It's more that we must satisfy our customers, and if you start there, you tend not to do things like proprietary trading or only dealing with foreign call centres or paying egregious bonuses. Why would our customers be happy with that?

KEY STATS:

Founded: 1989 (with roots in Sweden dating back to 1871)
Specialisms: Local relationship bank
Customers: Individuals and organisations
Website: www.handelsbanken.co.uk

Handelsbanken

CREDIT UNIONS: A GROWING MOVEMENT

BY TOM REVELL

ACCORDING TO PRUDENTIAL REGULATION AUTHORITY (PRA) AUDITED STATISTICS FROM THE ASSOCIATION OF BRITISH CREDIT UNIONS (ABCUL), AT THE END OF SEPTEMBER 2012, 1,038,904 PEOPLE USED THE BRITISH CREDIT UNION SECTOR, WHICH HELD TOTAL ASSETS OF £957M.

In the six months between September 2012 and March 2013, the sector's membership grew by 3.2% to 1,072,202, while its assets rose by 6.7% to £1.02 billion.

Around the world there are over 200m credit union members in 100 countries. Their recent rise is consistent, if steady. It seems there are many reasons that saving money in a credit union, rather than a bank or building society, is becoming an increasingly attractive option to consumers.

What is a credit union?

A credit union is a financial co-operative that is owned by its members. They exist primarily to provide savings and loans to these members. However, increasing numbers of credit unions now offer a wider range of services including cash ISAs, the current accounts and mortgages.

Their contrasting ownership structures means that unlike banks, they are not ultimately motivated to create profit for external shareholders. Abbie Shelton, policy and communications manager at ABCUL, says, "This also means that the services they provide are designed with the needs of members in mind; a credit union may exist, for example, for people who may work in a certain sector or live in a certain area."

Institutionally, credit unions are of course very different from high street banks. Some of the larger credit unions have branches that operate like many banks, with collection points such as local post offices, while some smaller unions will have just a couple of opening hours a week. Credit unions are also managed by volunteers elected from the membership, by the membership.

Credit unions are small organisations and lack the enormous amounts of financial backing of the big banks. Many credit unions limit the total you can save with them to £10,000.

However, although credit unions often describe themselves as not-for-profit organisations, they do make small returns, or 'surplus'. A credit union's takings from loans and investments must exceed its operating expenses in order to maintain capital and stay solvent. This surplus is distributed among members as a dividend, or used to finance offers of higher returns on savings, more affordable loans, lower fees and new products and services.

It is also important to remember that credit unions are regulated by the PRA and its sister regulator the Financial Conduct Authority (FCA). Like with normal savings accounts, all members' savings are also protected up to £85,000 by the Financial Services Compensation Scheme.

Why choose credit unions over a bank or building society?

Firstly, credit unions can offer great rates on savings and loans. Studies have shown that even at their highest loan rates, they offer best value in the UK personal loan market for loans up to £2,000 and £3,000 where rates for larger loans were kept at 1% a month on the reducing balance. For smaller, shorter term loans, a credit union member can borrow at a 10th of the interest rate of a doorstep lender, or a 100th of the interest rate of a payday lender.

A recent study found that, perhaps unsurprisingly, consumers prefer lending from credit unions than payday loan companies. The research, which was funded by Friends Provident Foundation and the Barclays Community Finance Fund, found that borrowers could take out a longer payment term whilst paying back less than they would from a payday lender. Borrowing from a credit union instead could have saved 1,219 people £145,000 in interest charges alone - equating to almost £119 per consumer.

Although much of the coverage came to focus on the Church of England's unfortunate indirect investments, in July the archbishop of Canterbury Justin Welby declared he would be attempting compete

payday lenders "out of existence" through church-backed credit unions. A spokesperson from ABCUL said that they were in discussions with the church over how this could be achieved.

But one of the most appealing aspects of credit unions is their willingness to make loans of as little as £50 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, and life cover is included in the loan at no extra cost.

Payroll deduction is another key reason to join for people who can sign up to a credit union through their employer. Savings and loan repayments taken directly from salaries make building a nest egg easy and provide convenient access to affordable credit.

But perhaps most importantly, people also value the ethics of credit unions. Rather than being held by profit seeking institutions and possibly being invested in immoral and unsustainable causes, as with a high street bank, with a credit union a consumer's money is kept in the community and benefits only their fellow members.

Because of the broad appeal of credit unions, and the way each can vary so much in who they are set up to serve, there is no typical credit union member.

Shelton explains, "Credit unions are sometimes seen as being only for those who are financially excluded, but in reality they aim to provide inclusive services for anyone in the communities and workplaces they serve.

"A successful credit union needs to provide a range of products that are attractive to a wide range of income groups if it is to be able to sustainably meet the needs of all the people it serves."

The sector and government, Shelton says, recognises the need to modernise services in order to appeal to a younger generation of savers. ABCUL has been contracted by the Department for Work and Pensions to deliver the Credit Union Expansion Project. Up to £38m has been pledged to support project credit unions in becoming more attractive, convenient and efficient through collaboration and the development of new products and access channels.

ABCUL certainly hold ambitious hopes for the future of credit unions. The Credit Union Expansion Project aims to increase members in project credit unions by 794,000 by March 2015.

Shelton says, "By March 2019, the project is expected to have brought an extra 1 million people into credit union membership and save up to £1 billion in loan interest repayments.

"Making services more convenient and working with employers to bring the benefits of payroll deduction to many more people will help credit union cement themselves as a valued financial services provider for many more people."

If you'd like to learn more, there's arguably no better time than the present. October 17 is International Credit Union Day, a day designed to raise awareness of the work of credit unions and give their members the opportunity to get more involved. In a tradition that has been observed since 1948 in post-war America, credit unions around the world mark the day with parades, picnics and competitions.

If you're interested in joining a credit union in the UK, www.findyourcreditunion.co.uk can help you find which ones you might be eligible to join.

Tom Revell is a journalist at Blue & Green Tomorrow

BANKING SCORECARD

POWERED BY YOURETHICALMONEY.ORG, AN EIRIS INITIATIVE

Green/Ethical Products	Products that offer a green/ethical value or incentive to the customer.
Ethical Lending or Insurance	Does the institusion refuse to lend money or provide insurance because of the unethical nature of a government or business?
Human Rights	Does it avoid lending to or insuring companies and activities involved in human rights violations? What systems are in place to monitor this?
Financial Exclusion	Does the institution make any provisions for low-income individuals or offer products to underprivileged communities?
Environment	Considers whether the environment policy covers the key areas of energy efficiency and waste management.
Carbon Neutrual	Has the institution made a pledge to go carbon neutral and if yes, when?
Equal Opportunities	Does the institution's policy consider race, gender, sexuality and disability?
Women on the Board %	Check out what percentage of an institution's board or senior managers are female(percentage found from the highest level of management whitin the company's group).

FINANCIAL INSTITUTIONS	CRITERIA							
	Green/Ethical Products	Ethical Lending or Insurance	Human Rights	Financial Exclusion	Environment	Carbon Neutrual	Equal Opportunities	Women on the Board %
Aldermore	N	🔴	🔴	🔴	🔴	🔴	🔴	11
Allied Irish Bank (GB) and Allied Irish Bank (GB) Savings Direct	N	🔴	🔴	🟠	🟠	🔴	🟠	9
Aviva	Y	🔴	🔴	🟠	🟢	🟢	🟢	11
Bank of China	Y	🔴	🔴	🔴	🟠	🔴	🔴	25
Bank of Ireland UK	Y	🔴	🔴	🟠	🟢	🔴	🔴	10
Bank of Scotland	Y	🔴	🔴	🟢	🟢	🔴	🟢	30
Barclays (incorporating Woolwich and Standard Life)	Y	🔴	🔴	🟢	🟢	🔴	🟢	17
Birmingham Midshires	N	NA	NA	🔴	🟢	🔴	🟢	30
Britannia	Y	🟢	🟢	🔴	🟢	🟢	🟢	17
Cahoot	N	NA	NA	🔴	🟢	🔴	🟢	18
Charity Bank	Y	🟢	🟢	🟠	🔴	🔴	🔴	22
Chelsea Building Society	N	NA	NA	🔴	🟠	🔴	🟢	27
Cheltenham & Gloucester	N	NA	NA	🔴	🟢	🔴	🟢	30
Citibank (UK)	N	🟠	🔴	🔴	🟢	🔴	🟢	23
Clydesdale Bank	Y	🟠	🔴	🔴	🟢	🟢	🟢	16.7
Co-operative Bank	Y	🟢	🟢	🟢	🟢	🟢	🟢	17
Coventry Building Society	N	NA	NA	🔴	🟠	🔴	🔴	18
Danske Bank UK	Y	🔴	🔴	🟠	🟠	🟢	🟠	31
Ecology Building Society	Y	🟢	🟢	🔴	🟢	🟢	🟢	33
First Direct	N	NA	NA	🔴	🟢	🔴	🟢	25
First Trust Bank	Y	🔴	🔴	🔴	🟠	🔴	🟠	9
Habib Bank UK	N	🔴	🔴	🔴	🔴	🔴	🔴	10
Halifax	Y	🔴	🟠	🟢	🟢	🔴	🟢	30
Handelsbanken	Y	🔴	🔴	🔴	🟠	🔴	🟢	27
HSBC Bank	Y	🟠	🔴	🟠	🟢	🔴	🟢	25
ICICI Bank UK	N	NA	NA	🔴	🟠	🔴	🟢	14

To find out more, visit YourEthicalMoney.org/banking.

WORSE Red Orange Green BETTER

YourEthicalMoney.org
The one-stop-shop for green and ethical finance

FINANCIAL INSTITUTIONS	Green/Ethical Products	Ethical Lending or Insurance	Human Rights	Financial Exclusion	Environment	Carbon Neutral	Equal Opportunities	Women on the Board %
ING Direct (renamed Barclays Direct)	N	NA	NA	Red	Green	Red	Green	17
Intelligent Finance	N	NA	NA	Red	Green	Red	Green	30
Islamic Bank of Britain	Y	Green	Red	Orange	Red	Red	Red	0
Julian Hodge Bank	N	Red	Red	Red	Red	Red	Red	0
Lloyds TSB	Y	Red	Orange	Green	Green	Red	Green	30
M&S Bank	Y	NA	NA	Red	Green	Red	Green	20
Metro Bank		Red	Red	Orange	Red	Red	Red	33
MINT	N	Orange	Orange	Red	Orange	Red	Green	
National Counties Building Society	N	Red	Red	Red	Red	Red	Green	16.7
Nationwide Building Society	Y	Red	Red	Green	Red	Red	Green	18.1
NatWest	Y	Orange	Orange	Orange	Red	Red	Green	33.3
Norwich & Peterborough Building Society	N	Red	Red	Red	Orange	Green	Green	27
Post Office Personal Banking	Y	NA	Red	Red	Green	Red	Green	40
Reliance Bank	Y	Red	Orange	Red	Red	Red	Green	9.1
Royal Bank of Scotland (RBS)	Y	Orange	Orange	Orange	Green	Red	Green	25
Sainsbury's Bank	N	NA	NA	Red	Orange	Red	Green	25
Santander	Y	Orange	Green	Orange	Green	Red	Green	18
Scottish Widows	Y	Red	Orange	Red	Green	Red	Green	30
Secure Trust Bank	Y	NA	NA	Orange	Red	Red	Red	11.1
Smile	Y	Green	Green	Red	Green	Green	Green	17
Standard Life Insurance	Y	Red	NA	Red	Orange	Red	Green	20
Tesco Bank	N	Red	Red	Red	Orange	Orange	Green	30
The AA	N	Red	Red	Orange	Orange	Red	Red	
Think Money	Y	NA	NA	Orange	Red	Red	Red	
Triodos Bank	Y	Green	Green	Green	Green	Green	Red	33.3
Ulster Bank (Northern Ireland)	Y	Orange	Orange	Orange	Green	Red	Green	33.3
Virgin Money	Y	Red	Red	Red	Red	Red	Green	14.3
West Bromwich Building Society	N	Red	Red	Red	Red	Red	Red	10
Yorkshire Bank	Y	Orange	Red	Red	Green	Green	Green	16.7
Yorkshire Building Society	N	NA	NA	Red	Orange	Green	Green	27

ALTERNATIVE BANKS NEED TO STEP UP TO THE MARK

DEVELOPMENTS AT THE CO-OPERATIVE BANK THIS YEAR HIGHLIGHT NOT ONLY THE FRAILTY OF LARGER BANKING INSTITUTIONS, BUT ALSO THE DESPERATE NEED FOR SUSTAINABLE ALTERNATIVES.

BY ALEX BLACKBURNE

First, the Co-operative Group revealed a loss for 2012. Then a deal to buy 632 Lloyds branches – once lauded as "the biggest shake-up in high street banking in a generation" – collapsed. This was swiftly followed by ratings agency Moody's downgrading the Co-op Bank's debt rating to 'junk' status, in relation to its 2009 merger with Britannia Building Society.

Chief executive Barry Tootell swiftly resigned (though not because of the downgrade; he was apparently planning on doing so anyway) and it was speculated that the bank might need to be bailed out by the taxpayer – a rumour that it rushed to quash.

Despite the unwanted headlines, not a lot is likely to change for Co-op customers in terms of the service they receive. That said, the bank's reputation has clearly taken a significant hit.

The Co-op has long been the most mainstream challenger to the high street orthodoxy. Its 6.5 million customers means it is by far and away the most popular alternative financial institution in the UK. But it's also one of very few that offers day-to-day banking services.

In this guide, we have profiled some of the key players in the alternative space. But out of the five we interviewed – Triodos, Ecology Building Society, Charity Bank, Unity Trust Bank and Handelsbanken – Handelsbanken is the only one to offer current accounts to individuals. This is a failing of the alternative banking sector that needs addressing urgently.

The Move Your Money campaign, which encourages people to move away from the big five, knows about this gap in the market all too well. Its chief executive, Laura Willoughby, told Blue & Green Tomorrow that a page called 'Where can I move to?' attracts the most visitors to its website. "It's frustrating to greet such enthusiasm for switching with, 'It's complicated'", she said.

At the same time, the appetite for al-

IT'S NOT A QUESTION OF LACK OF DEMAND FOR ALTERNATIVE BANKING; IT'S A QUESTION OF LACK OF SUPPLY

ternative banking is at an all-time high. In 2012, Move Your Money estimated that 2.4 million people closed accounts at the big five banks – Barclays, HSBC, Lloyds, Natwest and the Royal Bank of Scotland (both owned by the RBS Group) and Santander.
What we have then, is an evident desire for alternative banking but a distinct lack of current account options for individuals. In other words: an opportunity for smaller financial institutions.
Charles Middleton of Triodos Bank recently revealed that it would be opening a current account in 2015/16, and the Post Office's offering goes nationwide next year. Meanwhile, other current accounts from building societies in Coventry, Cumberland and Leeds rank highly in Ethical Consumer magazine's best buys, as of February last year.
But despite there being some really excellent smaller, more sustainable, alternative options for banking customers, the fact of the matter is there simply isn't enough. It's not a question of lack of demand; it's a question of lack of supply.
Technology is also a problem. People in the younger generation in particular want their current accounts to come with all the necessary bells and whistles for 21st century banking, such as smartphone and online access.
But very few alternative providers offer accounts with these features, reducing the choice for consumers even smaller.
Alternative finance doesn't just mean banks that have an obvious positive social or environmental benefit. It means banks that are focused on benefitting the local economy; banks with different business models; banks owned by its members. Handelsbanken, Metro Bank and Secure Trust Bank are just three examples of banks that are perhaps not markedly 'ethical', but provide customers with another option that isn't the big five.
Smaller banks, mutuals, building societies and credit unions need to step up to the mark. The UK is crying out for greater alternative everyday banking options. Note this opportunity and act upon it.
Our banking system is dominated by a narrow clique of big banks, but the key to a prosperous, long-term focused economy is diversification – as well as transparency and sustainability. Breaking up the banks will be difficult, but in the immortal words of John F Kennedy, "We do these things because they are hard."

Alex Blackburne is the editor of Blue & Green Tomorrow.

WHAT DO I DO NEXT?

Having read through the Guide to Sustainable Banking 2013, which we hope has inspired you to enquire about an alternative banking option, you might be wondering how else you can make a difference in your life. We encourage you to read our other in-depth reports, from both this year and last, on topics as varied as investment, tourism, energy and the media.
But above all, we encourage you to act upon what you've read.

PAGE 46

FIND A SPECIALIST ETHICAL FINANCIAL ADVISER NEAR YOU

Sustainable investment is what we write about day in, day out. Contrary to the early-90s Des'ree hit 'Crazy Maze', which begins, "Money don't make my world go round", money is what governs almost every decision we as consumers and businesses make.
It's important, therefore, that we use it as a force for good. All the financial advisers listed are specialists in ethical investment and will help you choose the best possible financial solutions that match your values.
RELATED REPORT: The Guide to Ethical Financial Advice 2013 - http://bit.ly/14WUBhf

PAGE 48

SWITCH YOUR ENERGY PROVIDER TO GOOD ENERGY

Even without the climate change imperative, there is a desperate need to reduce mankind's emissions. The problem is pollution and waste. Switching to cleaner sources of energy is imperative, and Good Energy, as the UK's only 100% renewable electricity provider, is the best place to go.
Switch quoting 'Blue & Green Tomorrow' and Good Energy will give you £25 off your first bill.
RELATED REPORT: The Guide to Limitless Clean Energy 2013 - http://bit.ly/16LOBsW

PAGE 50

BOOK A SUSTAINABLE HOLIDAY WITH COTTAGES4YOU

While we wax lyrical about the wonders of doing good with your money, we're also of the mindset that consumers also want to have fun, kick back and relax. That's why we encourage sustainable tourism and responsible travel.
Booking a holiday – UK or abroad – with cottages4you is the definition of luxury (and we'd be delighted to join you if invited!)
RELATED REPORT: The Guide to Sustainable Tourism 2013 - http://bit.ly/VU57xj

ETHICAL FINANCIAL ADVISER DIRECTORY

BLUE & GREEN TOMORROW WORKS WITH EXPERIENCED INDEPENDENT FINANCIAL ADVISERS WHO SPECIALISE IN ETHICAL INVESTMENT AND UNDERSTAND HOW MONEY CAN BE USED TO CREATE A SECURE FUTURE FOR YOU, FOR YOUR FAMILIES AND FOR OUR PLANET. GIVE ONE OF THEM A CALL AND TALK ABOUT YOUR PLANS – YOU MAY EVEN FIND YOU SLEEP EASIER AT NIGHT IF, LIKE US, YOU WANT A BETTER FUTURE FOR ALL. YOUR HARD-EARNED MONEY CAN DO SOME OF THE HARD WORK OF MAKING THAT HAPPEN WHILE YOU SLEEP.

VIRTUO

Firm: Virtuo Wealth
Phone: 0131 440 9888
Website: virtuowealth.com
Email: ask@virtuowealth.com

ethicalfutures
make your money change your world

Firm: Ethical Futures
Phone: 0845 612 5505
Website: ethicalfutures.co.uk
Email: invest@ethicalfutures.co.uk

Gaeia
Global and ethical investment advice

Firm: The GAEIA Partnership
Phone: 0161 233 4550
Website: www.gaeia.com
Email: office@gaeia.com

BARCHESTER GREEN INVESTMENT

Firm: Barchester Green
Phone: 0800 328 6818
Website: barchestergreen.co.uk
Email: info@barchestergeen.co.uk

stewart investment planning

Firm: Stewart Investment Planning
Phone: 01275 371900
Website: stewartinvestmentplanning.co.uk
Email: sip@stewartinvestmentplanning.co.uk

the ethical partnership
independent financial advisers

Firm: The Ethical Partnership
Phone: 08456 123 411
Website: www.the-ethical-partnership.co.uk
Email: celia@the-ethical-partnership.co.uk

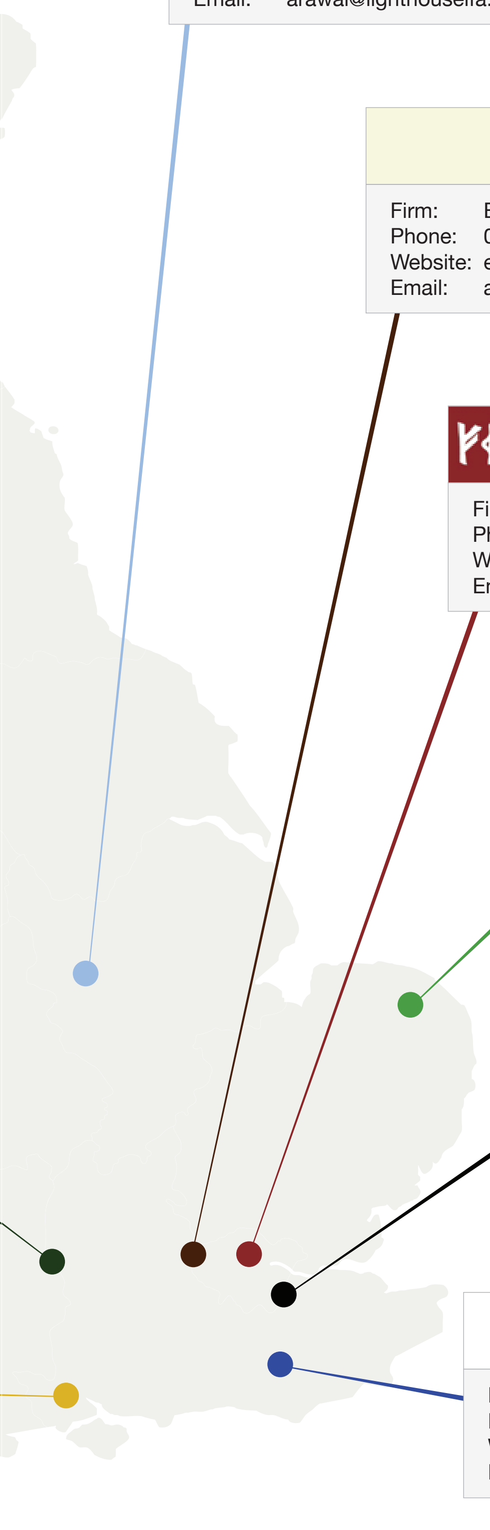
Firm: Lighthouse Impact
Phone: 01332 517 120
Website: ethicalinvestments.uk.com
Email: arawal@lighthouseifa.com

Firm: Equity Invest
Phone: 020 8879 1273
Website: equityinvest.co.uk
Email: advice@equityinvest.co.uk

Firm: Holden & Partners
Phone: 020 7812 1460
Website: holden-partners.co.uk
Email: Mhoskin@holden-partners.co.uk

Firm: Investing Ethically
Phone: 01603 309020
Website: investing-ethically.co.uk
Email: contactus@investing-ethically.co.uk

Firm: Smythe & Walter chartered financial planners
Phone: 020 7887 1989
Website: smytheandwalter.co.uk
Email: lee@smytheandwalter.co.uk
ben@smytheandwalter.co.uk



Firm: Bromige
Phone: 01342 826 703
Website: bromige.co.uk
Email: invest@bromige.co.uk


Good Energy
Together we do this
0845 456 1640
goodenergy.co.uk
Choose a supplier that's changing UK energy, for good.
We source our electricity from certified renewables like Cornish sunshine, Scottish wind and Welsh rain. We always have done and always will.
Our electricity is produced locally too, by a growing community of independent generators across Britain.
And it usually costs less than the Big Six's standard dual fuel tariffs.
Switch quoting 'Blue and Green' for £25 off your first bill
Aberdulais Falls, 248kW hydro,
With thanks to National Trust, Aberdulais Falls, Wales
ETHICAL AWARD
GOOD SHOPPING GUIDE
ETHICAL COMPANY
ethical consumer magazine
BEST BUY