

tlp - news

September 2012

The monthly newsletter of The Long Partnership

www.thelongpartnership.co.uk

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Quotes

"Victory often goes to the army that makes the least mistakes, not the most brilliant plans."

-- Charles de Gaulle, 18th President of the French Republic

"We learn more by looking for the answer to a question and not finding it than we do from learning the answer itself."

-- Lloyd Alexander

"The future belongs to those who believe in the beauty of their dreams."

-- Eleanor Roosevelt,

"You may not realize it when it happens, but a kick in the teeth may be the best thing in the world for you."

-- Walt Disney, Animator, Film Producer

So, here it is. The results of our 2012 Banking Survey. It was prompted by comments from HSBC and was put together by us with questions based upon our own observations. We have never done anything like this before and perhaps we will do it a little differently when we do it again, but nevertheless, the results are very interesting.

Health warning: While the results of our survey are very interesting, they are based upon 127 replies (about 5% of the number circulated). We have presented a summary of what you told us. You should therefore make your own enquiries and exercise your own independent judgement and not rely on these findings. The other 95% who were circulated might be very happy with their banking relationship and felt no need to respond.

Subject to this health warning, what did the results appear to show?

1. Most of the respondents are with either RBS and BoS. The new players in the area (HSBC, Santander and Co-Op) are making their mark but as yet only account for a fraction of the accounts.

2. Of our respondents, only 43% have an overdraft and only 25% have bank loans. This flies in the face of the common held belief that you need an overdraft to fund the working capital of a business.

3. 50% of those seeking additional finance from their bank were successful. The terms may have proved too onerous but the funds were available. Even we were surprised at this one.

4. The established banks in the local market have an average score between 3 and 4 on the question of impact on your business, being somewhere between neutral and slightly unhelpful. However, they all carded scores between 1 (Very Helpful) and 5 (Very Unhelpful), so there are other factors at play here, possibly the managers themselves.

HSBC, Santander and Co-Op came out well on this question, scoring 3 or less, but they have a significantly lower market share according to our results and don't have the quantity of customers to deal with yet, so individual members of staff get a chance to shine and make a significant impact.

5. On the question of encouragement and support to grow your business, once again it was the newbies (HSBC, Santander and Co-Op) that came out best but with RBS rising in the rankings when considering just the people with bank borrowings. This might suggest that their support for businesses is one of their strengths. This would also be borne out by the number of RBS customers willing to name a manager who they would recommend to a friend.

6. Half of you have considered changing banks in the last 12 months. We are surprised that this was not higher but there is a big apparent difference between banks based on what you told us. Co-op came out best with no-one considering changing banks and everyone would recommend them to friend. HSBC were close behind.

7. On the question of whether you would recommend your existing bank manager to a friend, HSBC once again came out ahead but this time RBS and BoS are close behind. An alarming number of BoS customers do not seem to know who is their bank manager (24% in our survey).

8. "Banking Angels" - We asked you to name names and we have listed the stars on the back page. Now, given that our survey only brought responses from people dealing with 42 branches, from as far afield as Edinburgh and Orkney, there will be others, but these are the ones we know about. They will all have received at least one nomination from one of you although some received a few, but we will spare their blushes and keep that to ourselves. Needless to say that we bank with one of the high achievers on this test.

So, what have we achieved? I think we have found some real positives amongst the doom and gloom. Banks are lending, albeit that it is harder than it used to be and if you shop around there are some real gems amongst the local managers who will go out of there way to help you as best they can. Onward and upward!

We asked you: For details of your bank, branch and whether you had a bank loan or overdraft.

We received 127 replies by fax, email and post covering 42 branches and 8 different banks. The table below shows a summary of the returns received.

Bank	All Returns Received			Returns from "Borrowers" (Overdraft &/or Loan)		
	Number	Branches		Number	Branches	
Barclays	1	1	0.79%	0	1	0.00%
BoS	37	15	29.13%	21	15	32.31%
Clydesdale	19	7	14.96%	9	7	13.85%
Co-Operative	3	1	2.36%	1	1	1.54%
HSBC	4	1	3.15%	3	1	4.62%
RBS	50	15	39.37%	26	15	40.00%
Santander	7	1	5.51%	3	1	4.62%
LTSB	6	1	4.72%	2	1	3.08%
	127	42	100.00%	65	42	100.00%

We asked you: Do you have a bank overdraft and do you have a bank loan? The "Borrowers".

	Do you have?	
	An Overdraft	Bank Loans
Barclays	0%	0%
BoS	57%	19%
Clydesdale	42%	26%
Co-Operative	33%	0%
HSBC	50%	25%
RBS	36%	36%
Santander	29%	14%
LTSB	33%	0%
Total	43%	25%

This suggests that there are a large number of businesses operating without bank finance. Whether this is good or bad will depend on your perspective. In the short term, these businesses are less at risk from the changing nature of the banks. In the longer term, does this mean that they are not pushing their business development as hard as they might and therefore not fuelling the economic revival as well as they could?

It is also interesting to see the bias that some banks have towards overdrafts while others have more emphasis on loans. However, we have not considered the relative amounts held as overdraft compared to the value of loans and so we do not want to draw too many conclusions from this.

We asked you: Have you sought new or additional finance from your bank in the last 12 months? If Yes, were you successful? If No, did you obtain the finance you required from an alternative source and, if so, was this more expensive than your bank would have charged?

	Have you sought additional finance from your own Bank		Was the application Successful with your own bank		Alternative finance: Obtained But was more expensive	
	No.	%	No.	%		
Barclays	0	0%	0	0%	0	0
BoS	12	32%	6	50%	3	1
Clydesdale	8	42%	4	50%	3	1
Co-Operative	0	0%	0	0%	0	0
HSBC	0	0%	0	0%	0	0
RBS	18	36%	8	44%	11	4
Santander	1	14%	1	100%	0	0
LTSB	1	17%	1	100%	0	0
Total	40	31%	20	50%	17	6

There is a real positive message in this section. 50% of those seeking finance were successful. So, banks are lending and that is good. We did get some feedback that although approved, the lending facility was not taken up because it was too expensive or the terms too onerous. Of those who were not successful, many had ample assets behind them. It was just that they did not meet the serviceability criteria. We were told recently that the bar on this has been raised dramatically by some banks, so this will be preventing lending that would have been successful in the past.

We asked you: How do you feel that your bank has impacted upon your business in the last 12 months? Has it been a help or a hindrance? We then asked you if you feel that your bank has encouraged and supported you to grow your business?

Here are the scales:

Scale	Q1: Impact on your Business	Q2: Encouraging and supporting growth
1	Very helpful	Very encouraging
2	Helpful	Cautiously encouraging
3	Neither	Neither
4	Slight unhelpful	Slightly discouraging
5	Very unhelpful	Very discouraging

Here are the scores overall:

	Q1: Impact on your business			Q2: Encouraging and supporting you to grow		
	Highest Score	Average	Lowest Score	Highest Score	Average	Lowest Score
HSBC	1	2.00	3	1	2.00	3
Santander	2	2.43	3	3	3.00	3
Co-Operative	2	2.67	3	3	3.00	3
Barclays	3	3.00	3	3	3.00	3
BoS	3	3.00	5	1	3.23	5
RBS	3	3.17	5	1	3.13	5
LTSB	3	3.40	5	3	3.60	5
Clydesdale	3	3.95	5	1	3.63	5

If we just look at the replies from people who are actually borrowing from the bank either in the form of an overdraft or loan, we see a similar result as shown below.

	Q1: Impact on your business			Q2: Encouraging and supporting you to grow		
	Highest Score	Average	Lowest Score	Highest Score	Average	Lowest Score
HSBC	1	1.67	3	1	1.67	3
Co-Operative	2	2.00	2	3	3.00	3
Santander	2	2.33	3	3	3.00	3
RBS	1	3.04	5	1	2.92	5
BoS	1	3.05	5	1	3.29	5
Clydesdale	1	3.89	5	2	3.78	5
LTSB	3	4.00	5	3	4.00	5

You will see that we have sorted the results on the scores from the first question. RBS actually scores better than The Co-Operative and Santander in the second question for “borrowers”.

We asked you: Have you considered changing banks in the last 12 months? We also asked if you would recommend your present bank to a close friend? Here is what you told us.

	Considered changing banks in the last 12 months		Recommend your present bank to a close friend	
	Overall	Borrowers	Overall	Borrowers
Clydesdale	63%	78%	26%	11%
BoS	59%	62%	32%	33%
Santander	48%	50%	86%	100%
RBS	33%	50%	38%	46%
LTSB	29%	0%	33%	0%
HSBC	25%	33%	100%	100%
Barclays	0%	0%	100%	N/A
Co-Operative	0%	0%	100%	100%
Average	50%	54%	41%	42%

We have sorted the table on the overall score for whether you have considered changing banks in the last 12 months.

We did not ask if you had actually approached another bank during this time. In the circumstances it is not surprising that so many people have “considered” a change. However, the number of people who would recommend their existing bank does correlate with the number who have considered changing. Is this a ticking time bomb for some banks?

We asked you: Would you recommend your present bank manager to a close friend as someone they could trust for sound financial advice? Many replies said you did not know the name of your bank manager so we have shown this as well.

	Told us you would recommend your present bank manager		Told us that you do not know who is the Bank Manager	
	Overall	Borrowers	Overall	Borrowers
HSBC	75%	100%	0%	0%
BoS	41%	43%	24%	24%
RBS	38%	46%	12%	4%
Clydesdale	26%	11%	5%	0%
Santander	14%	33%	29%	0%
Barclays	0%	0%	0%	0%
Co-Operative	0%	0%	0%	0%
TSB	0%	0%	0%	0%
Average	34%	40%	14%	9%

This was very interesting because it speaks about your relationship with another human being rather than a huge banking organisation. Despite the banks' attitude to lenders, 40% of those in our sample would recommend their existing manager. However, there is a large difference between the top of our table and the bottom.

Perhaps the most surprising statistic is that 14% overall of you did not know your bank manager and even 9% of "borrowers" were the same. This suggests a worrying lack of customer relationship building. Bank of Scotland beware!

We asked you: To name a manager that you would recommend to a close friend who is in business or planning to start a business.

This is the real acid test of who has a relationship with their customer. This is the list that you gave us *in strictly alphabetical order* and we will not comment further:

Bank	Branch	Manager
BoS	Buckie	Darren Page
BoS	Inverness Corporate	Mike Thompson
BoS	Kirkwall	Brian Lanni*
BoS	Kirkwall	David Henderson
Clydesdale	Anchor	Fiona Bandai
HSBC	Inverness	Trevor Colouring
RBS	Beauly	John Urquhart
RBS	Kirkwall	Lorraine Harvey
RBS	Kirkwall	Margaret Keenan
RBS	Peterhead	Eileen Other
RBS	Portree	Elaine Nicolson
RBS	Stirling (RBS Dundee)	Philip Bolland,
RBS	Thurso	Maria Bell
RBS	Wick	Lesley Davidson

* one of the recommendations came from a Clydesdale Bank customer

The banks with the greatest number of personal recommendations for their managers were as follows:

Bank	Recommendations Received
RBS	10
BoS	7
HSBC	1
Clydesdale	1
	19

This suggest that RBS and BoS are doing well but remember that they had the largest number of returns and less than 15% overall of those responding were actually prepared to name names.

There were a number of comments praising local managers but criticising the centralised and distant lending departments. It seems to many people that the local managers, who know their customers, are being thwarted by centralised sterile lending criteria operated by faceless individuals in a distant office.

Despite this, we do appear to have a list of managers that you have told us are prepared to go the extra mile for their customers and that has to be applauded. **Keep up the good work!**