



## Are Shared Branches Possible?

branch strategies

**Summary:** Branch sharing, especially with competitors, sounds outrageous to many financial institutions. Yet, there is a pilot underway in the UK where financial institutions are doing just that. As in the US, branches have been closing, leaving many bank customers without an option to visit a physical bank location. We give you the details of this pilot program, as it would not be the first time that industry trends reached our shores from across the Atlantic.

Timeshares initially sprang up in England following World War II and were later brought to the US in the early 1970s. The prospect of affordable access to appealing vacation properties with shared maintenance fees has since attracted close to 10MM people in the US alone to buy into timeshares. Over the years, however, many people have soured on the seemingly endless annual maintenance fees, especially with the rise of AirBnB, so this trend is waning.

Pooled maintenance fees may be driving many people out of timeshares, but the idea of sharing building expenses is now enticing financial institutions (FIs) in the UK to take a fresh perspective on branch usage and shared properties, even with competing institutions. We share this new development to keep you current on the latest industry trend.

### Branch usage trend drives new UK pilot program

While the idea of competing financial institutions sharing a single space may sound crazy, it is one that seems to have grown out of necessity. Even before the pandemic, mobile and online banking were gaining traction, decreasing branch use. Now, more people than ever are using digital banking, yet many still visit branches, such as senior customers and cash-reliant business customers. FIs have had to review branch expenses and make strategic decisions.

As many branches were closing, leaving some customers without branch access, [Access to Cash Action Group jumped in to start a pilot program](#). In this program, multiple FIs simultaneously use the counter space within individual bank hubs operated by the post office. A handful of the UK's largest banks are participating in this pilot program for shared branches.

### How it works

The shared hub pilot program began in April 2021 with two UK locations. It boasts participation from Barclays, HSBC, Lloyds, NatWest, and Santander. While bank customers cannot access the banks' full range of products and services through the shared hub, deposit locations for small businesses are readily available. The five FIs share counter space and maintain a rotation schedule for using conference rooms within the facilities for customer appointments involving other services. Though the pilot program was initially scheduled to end in October 2021, due to its initial success, the program has already been extended to April 2023. This extra time gives participating FIs a better idea of which services work best in the shared hub model.

For the five bank participants, the biggest benefit of shared space is the ability to share costs. In the UK, the average annual cost of maintaining a bank branch is \$800K. As traffic to branches continues to decline, these costs have become increasingly burdensome.

Further, the shared bank branch idea seems to be gaining traction beyond the UK Post Office pilot. The startup, OneBanks, is gearing up for its own launch of shared bank branch kiosks across England and has attracted investor interest and funding.

The regulatory component

The idea of shared bank hubs is not necessarily the first one that FIs would have come up with on their own. Yet, looming laws and regulations seem to have prompted this acceptance. It is expected that UK banks will be required to maintain some sort of physical presence, ensuring access to deposit and withdrawal services. Since the pandemic, [cash usage dropped 35% in the UK](#), which has worried the regulatory agencies there. The UK Treasury is already contemplating laws that would prevent FIs from closing branches in the future, in order to guarantee that there is access to currency and financial services, especially for the most vulnerable populations, within a certain distance.

Looking ahead

Though the idea of shared bank branches has yet to make its way to the US, it could be a matter of time. American FIs are struggling with the same issues of decreased cash usage and diminishing branch access for rural customers, the same trends that prompted the UK to launch its shared bank hub pilot. We will continue to watch the developments of this pilot to keep you updated and prepared for what lies ahead.

COMPETITIVE AND CONSISTENT LOAN PRICING

Achieve a 360-degree customer relationship view so you can determine the best loan pricing based on your customer data while driving higher bank profitability. Learn more about [Profitability FIT](#).

ECONOMY & RATES

Rates As Of: 10/12/2021 05:24AM (GMT-0700)			
Treasury	Yields	MTD Chg	YTD Chg
3M	0.05	0.01	-0.04
6M	0.07	0.02	-0.02
1Y	0.10	0.01	-0.01
2Y	0.35	0.07	0.23
5Y	1.07	0.11	0.71
10Y	1.61	0.11	0.68
30Y	2.14	0.09	0.49
FF Market	FF Disc	IORR	
0.08	0.25	0.15	
SOFR	Prime	OFR	
0.05	3.25	0.07	

*Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.*