Royal Bank of Our Own

Small Businesses & Local Economies

Under our proposals for NatWest & RBS to be broken up into a network of local banks, small businesses and local economies would benefit in the following ways:

→ Businesses would receive the credit that they need ←

Local banks are far better than bigger banks at lending to local businesses and small- and medium-sized enterprises, which are the engine of the economy.

→ Local regions and communities would retain investment, boosting the real economy and creating jobs and growth ←

Instead of being funnelled into London and the Southeast, a network of local banks would help create and retain wealth and prosperity in local regions and economies across the UK, meaning more investment for real people, businesses and jobs.

→ Investment would go to productive, strategic, and longterm projects that benefit local regions & employ local businesses ←

Local banks' remit and structure would ensure investment decisions are based on the long-term interests of local regions and residents, not the short-term interests of shareholders and speculators.

From the USA to Switzerland, Germany to Japan, nearly every advanced economy in the world has a highly developed local banking sector – except for the UK. And in each country, local stakeholder banks advance a disproportionate share of loans to SMEs - averaging 66% of total assets, compared to the big-bank average of 37%. Given that UK SMEs face over £6 billion in unmet demand for credit every year, isn't it time we created a local stakeholder banking sector that can serve this demand and drive the recovery?

Another key aspect of local banks is that, by definition, they are limited to investing in their local area. This would mean rebalancing the economy away from London and the Southeast, which currently receive more than 34% of all SME bank lending. Postcode lending data also shows that 95% of personal and business loans go to customers within 9 miles of a branch, so when branches close it follows that investment leaves with them – creating credit deserts across the country.

Reforming RBS into a local banking network would reverse this trend and rebalance the economy away from London and the Southeast, permanently. It also creates the opportunity for "virtuous circles" in investment, where increased investment in the local area drives greater employment, prosperity, and demand in the local economy. This is due to the "local multiplier effect", where £1 spent locally creates £1.74 of value to the area, compared to only 34p if spent outside the local area.

Finally, local banks' public interest mandate and governance model of public trust would ensure investment would be channeled into productive, strategic, and long-term projects. This means things like infrastructure and housing could be developed at a much greater rate than under the current system, again creating more prosperity and opportunity outside of London.