

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Second Delegated Legislation Committee

DRAFT NORTHERN IRELAND BANKNOTE
(DESIGNATION OF AUTHORISED BANK)
REGULATIONS 2020

Wednesday 24 June 2020

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The Committee consisted of the following Members:

Chair: DAVID MUNDELL

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| † Benton, Scott (<i>Blackpool South</i>) (Con) | Mahmood, Shabana (<i>Birmingham, Ladywood</i>) (Lab) |
| † Bristow, Paul (<i>Peterborough</i>) (Con) | † Mohindra, Mr Gagan (<i>South West Hertfordshire</i>) (Con) |
| † Chamberlain, Wendy (<i>North East Fife</i>) (LD) | † Oppong-Asare, Abena (<i>Erith and Thamesmead</i>) (Lab) |
| † Clarke-Smith, Brendan (<i>Bassetlaw</i>) (Con) | † Paisley, Ian (<i>North Antrim</i>) (DUP) |
| Cooper, Rosie (<i>West Lancashire</i>) (Lab) | † Rutley, David (<i>Lord Commissioner of Her Majesty's Treasury</i>) |
| † Coutinho, Claire (<i>East Surrey</i>) (Con) | † Wakeford, Christian (<i>Bury South</i>) (Con) |
| † Eshalomi, Florence (<i>Vauxhall</i>) (Lab/Co-op) | Bradley Albrow, <i>Committee Clerk</i> |
| † Fuller, Richard (<i>North East Bedfordshire</i>) (Con) | |
| † Glen, John (<i>Economic Secretary to the Treasury</i>) | |
| † McFadden, Mr Pat (<i>Wolverhampton South East</i>) (Lab) | |
| † Mackrory, Cheryl (<i>Truro and Falmouth</i>) (Con) | † attended the Committee |

Second Delegated Legislation Committee

Wednesday 24 June 2020

[DAVID MUNDELL *in the Chair*]

Draft Northern Ireland Banknote (Designation of Authorised Bank) Regulations 2020

2 pm

The Chair: Anyone who wishes to remove their jacket may do so.

The Economic Secretary to the Treasury (John Glen): I beg to move,

That the Committee has considered the draft Northern Ireland Banknote (Designation of Authorised Bank) Regulations 2020.

It is a pleasure to serve under your chairmanship, Mr Mundell. In a rather unique arrangement, the UK is one of a handful of countries where commercial banks are authorised to issue banknotes alongside the central bank. Currently, seven banks are permitted to issue commercial banknotes in the UK: four in Northern Ireland and three in Scotland. That represents a tradition with cultural importance that the Government support.

One of the issuing banks in Northern Ireland, Ulster Bank, is part of the Royal Bank of Scotland Group and a direct subsidiary of NatWest bank. As part of a planned restructure, RBS Group will remove Ulster Bank's banking licence later this year and transfer it to the NatWest legal entity. This instrument has been laid before the Committee to ensure that Ulster Bank-branded banknotes can continue to be issued.

As is required by the Banking Act 2009, the instrument will transfer the authority of issuance from Ulster Bank to NatWest, with the consent of the Bank of England. It is a routine procedure and it has been carried out before: in 2017, the authority to issue RBS-branded banknotes in Scotland was transferred between two entities of the RBS Group. Importantly, the major stakeholders in the change, RBS Group and the Bank of England, have remained in contact with the Government throughout the process and are supportive of the measures before the Committee.

In summary, the instrument ensures that banknotes already printed or issued by Ulster Bank will remain valid once this structural change to RBS Group has taken place. Furthermore, once the authority for these notes has been transferred to NatWest, it will be able to print and issue banknotes with Ulster Bank branding. This instrument ensures that all those holding Ulster Bank banknotes can remain confident in their value. I hope colleagues will join me in supporting these regulations. I commend them to the Committee.

2.2 pm

Mr Pat McFadden (Wolverhampton South East) (Lab): It is a pleasure to serve under your chairmanship, Mr Mundell. As the Minister said, these regulations

change the authority for issuing Ulster Bank notes in Northern Ireland from Ulster Bank to NatWest. The banks are part of the same group, and we therefore agree that this is a technical change that should not make any difference to the Northern Ireland public. We welcome, in particular, regulation 6, which makes it clear that the change will not affect the validity of banknotes previously issued by Ulster Bank; they will have the same validity as before.

As the Minister said, there is a long tradition of having separate banknotes in Northern Ireland and Scotland. They are valued and appreciated by the public. NatWest bank is going through a name and branding change. Its previous guise, RBS, is a note-issuer of long-standing experience. It will continue to issue distinct notes under the Ulster Bank brand in Northern Ireland.

It would be tempting to ask the Minister lots of questions, not so much about the design or authorisation of these notes as about the decline in their value in recent years. As of this morning, that decline was about 17% over the past four years, under the Government's watch. However, I fear that if I went too far down that road, you might tell me that I was not keeping strictly within the terms of the regulations, Mr Mundell, so I will leave the discussion of the Government's record of devaluing the pound for another day. Instead, I make a plea to the Minister: if the Treasury is planning to announce a stimulus package in the coming weeks, will it take into account the full and specific circumstances of Northern Ireland, to help the economy there recover from the economic consequences of lockdown, and to insulate it against any damage that may be forthcoming from the agreement reached between the UK and the EU?

We do not intend to divide the Committee on the regulations, and we hope that these bank notes issued in Northern Ireland will continue to be popular long into the future.

2.5 pm

Ian Paisley (North Antrim) (DUP): It is a pleasure to serve under your chairmanship, Mr Mundell.

When the Minister introduced the statutory instrument, he suggested that there was a real cultural advantage for Scotland and Northern Ireland in having these different notes. Of course there is a cultural advantage, but there is also—let us face reality—a commercial issue, too, and a commercial advantage for the banks. They have the privilege of printing their own advertising on notes and currency, and I wonder whether the Government have considered reviewing the entire process, to consider whether it is fair for the banks to have that commercial advantage. For many people, the jury will be out on this issue; many other people may not have considered it. However, it is an issue that should ultimately be reviewed.

All the main banks in Northern Ireland and Scotland are able to issue bank notes; that is a long-standing arrangement, enabled by legislation, which I think was most recently reviewed in 2009. Now, more than 10 years later, there is an opportunity to review it again.

Banks have traditionally used the notes to showcase Northern Ireland. I have brought some samples with me today; I will not distribute them around the room, for fear that I will not get them back. I cannot complain about that showcasing. The Bank of Ireland has on some of its notes the Old Bushmills distillery, which happens to be in my constituency of North Antrim.

On another note, it has the Giant's Causeway, which also happens to be in my constituency. It is a fine tradition to have these places showcased on our notes. Danske Bank has a picture of John Dunlop, the inventor of the pneumatic tyre, on some of its notes, and other banks have on their notes a picture of Harry Ferguson, the inventor of the Ferguson tractor, who also hailed from Ulster.

Bank notes provide a really good opportunity to showcase the various attributes of Ulster, but I wonder whether the Government have any say whatsoever over what banks choose to put on bank notes. Will the regulations enable the Ulster Bank to change the artwork on its new notes? If so, will the Government have a say in that, and will they decide whether this process should be open to competition? What is the process if the bank chooses to change what is represented on its notes?

Covid highlighted a concern for banks in Northern Ireland. A key focus of local government's covid-19 planning was to consider whether there was a risk of interruption to the availability of cash in Northern Ireland. Members will know that in the very early stages of lockdown, many constituents used cash more often than before; there was high demand for cash. That situation brought with it a security issue for Northern Ireland: any movement of large amounts of Bank of England notes into the banks in Northern Ireland would pose a security risk. The changes brought about by the regulations therefore impact on security; we must make sure that we are safe from an interruption in the supply of bank notes, including by criminal elements. This mitigates the risk of the Bank of England having to hold very large stocks of bank notes in Northern Ireland, or having to transport large stocks of bank notes to Northern Ireland at short notice.

The Committee should note the commercial benefit of bank notes to banks. The Bank of England's base rate is 0.1%. Any interest income is more than offset by the cost of producing the bank notes and supplying them to the Bank of Ireland, and to ATMs and bank branches across Northern Ireland. There is a cost to all that. Will the Minister ensure that it continues to be picked up by the banks, and not by us, the consumers, or by people who need access to cash? It is becoming much harder to find ATMs. Making sure that our constituents have ready access to cash is important, and they should not be charged extra for the privilege of having very nice advertising for Northern Ireland on their notes.

The final issue is the level of inconvenience. As you hail from Scotland, Mr Mundell, you will know about this, though no taxi driver would dare refuse a Bank of Scotland note from you. If a taxi driver in London tells me that the currency I have in my pocket is not acceptable, I tell them that the Chancellor takes it from me every month in sizeable amounts, so he will certainly accept it. However, some of my countrymen are a bit more shy and not so bold, and they sometimes feel that it is inconvenient to have such notes when they travel to our mainland. When they go to spend them in shops, sometimes they are refused; that can be a problem. If we do not

want people to stop carrying these notes, would it not be appropriate for banks that want the privilege of their own notes to ensure that those notes are widely advertised in shops and commercial premises, so that people in Great Britain feel comfortable accepting Northern Ireland notes, as they do Bank of England and Bank of Scotland notes? Those are my thoughts.

2.10 pm

John Glen: I would be very happy to address the points made by the right hon. Member for Wolverhampton South East, and then the more substantive points made by the hon. Member for North Antrim. As the right hon. Member for Wolverhampton South East says, this is essentially an administrative change, and there will be no change in the validity of the notes in question. I am glad that he was not tempted to discuss the value of the pound. I can confirm that in taking any measures, we always take account of the interests of the whole of the United Kingdom; that principle will always guide the Chancellor and Ministers in the Treasury.

Among the range of issues that the hon. Member for North Antrim raised was the question of a review. There are no plans for a review. He cites the issue of commercial advantage. It is for individual banks to determine the design of a note; typically, they pick designs that are non-controversial. As he pointed out clearly, Northern Ireland's countryside and economy have enormous merits and offer powerful symbols for a bank.

On the wider issue of access to cash, some real challenges have been thrown up by the covid experience, and we are working on them. We have clearly set out our intention to legislate, and there is a live UK Finance and LINK scheme looking at access to cash. I am pleased to confirm that Danske Bank, Ulster Bank and the Bank of Ireland have been involved in the provision of bounce-back loans. They have been active participants in conversations with the Chancellor and me.

The Government have no say whatever on the artwork featured on notes. On promoting the notes as currency that can be used in London, the Association of Commercial Banknote Issuers has a marketing endeavour to promote different types of notes. Northern Ireland bank notes are legal currency and usable, but sometimes people are not familiar with them. There is nothing the Government can do about that.

As I have set out, this statutory instrument will ensure that the long-standing practice of commercial note issuance in Northern Ireland continues under the Ulster Bank brand. The SI makes a routine procedural change, but it represents an important process in maintaining the public's confidence in the value of the notes they hold, which is an important aspect of the economy. I hope that the Committee has found this afternoon's sitting informative, and that it will support the regulations.

Question put and agreed to.

2.14 pm

Committee rose.

