

# HAMPSHIRE COMMUNITY BANK

STATUS: FEBRUARY 2013

- Our goal** To **launch a Community Bank** that helps to create a strong and sustainable local economy in Hampshire.
- The market problem** The **UK's banking system is dysfunctional**, dominated by 4 global banks with similar offerings who prioritise short-term profit maximisation at the expense of all else. The consequences to local economies of this model of banking include:
- Problems accessing finance (SMEs, innovators)
  - Lack of finance for investment in sustainability projects;
  - Profits from the financial sector leaving the local economy.
- There is little coincidence of objectives between the banks and the communities they serve.
- Opportunity** There is a space in the market for **a bank that serves the local community** and works with enterprise, local councils and others to deliver sustainable economic growth. The success of the German Sparkassen (local savings banks) over 200 years is evidence that this business model of banking is both beneficial and commercially viable.
- Our solution** We will launch a not-for-profit Community Bank with a clear local focus and a remit to promote economic, social and environmental wellbeing in Hampshire. The bank would:
- **Simplify access to finance for business investment**
  - **Increase access to low-cost, long-term finance** for sustainability projects (e.g. energy efficiency and infrastructure projects)
  - Be proactive in its support for local enterprise
  - **Retain profits for reinvestment in the local economy**
- Benefits** The local model of banking delivers significantly more value to businesses and residents of Hampshire than banking as practised by the incumbent high street banks. The benefits of a local bank would include:
- Growth in employment (especially 'Green Collar' jobs)
  - Increased SME profitability (through lower energy costs)
  - Increased infrastructure spending
  - Lower carbon footprint
  - Localisation of supply chains
  - Increased rate of business survival and job retention in recessions
- Key numbers** Our initial modelling indicates the bank:
- Requires £12m start-up capital
  - Can make (with sufficient deposits, clients and local collaboration) c. £120m of loans in the first year of operation.
  - Should achieve break-even by Year 3
  - Will generate somewhere between 7 and 11 additional jobs for each £1m of locally focused lending
  - Can offer loan rates of 4.75% - to 7% for certain categories of project (especially for social enterprise/local authority joint ventures and sustainable development projects)
- Current status** We seek £245,000 to fund Stage 1 (Detailed financial modelling and business planning) and Stage 2 (Development of FSA Application and submission to the FSA for a banking license) of our plan.

## About us

Local First CIC is a not-for-profit spin-out from the Centre for Banking, Finance and Sustainable Development at the University of Southampton.

Partners and supporters include:

- Eastleigh Borough Council
- Deloitte
- Parity Trust
- The Sparkassen (association of German local savings banks).

## Key personnel

**Professor Richard Werner** is founder of the Centre for Banking, Finance and Sustainable Development at the University of Southampton, where he holds the Chair in International Banking. Richard has worked as researcher at the Bank of Japan, chief economist at an investment bank and as an international fund manager.

**Fiona Brownsell** is the CEO of Tusmor and designed and developed the IT systems for Metrobank.

**Colin Fisher** is a non-executive director of Morgan Stanley Bank International Limited. His executive career was spent at Lloyds Bank where he was director of Lloyds TSB Financial Services Holdings Limited and Lloyds TSB Scotland plc. He has also been chairman of ActivCard UK Limited, Goldfish Bank Limited, United Dominions Trust, and Mortgage Express

**Mike Battersby** is an entrepreneurial and corporate finance expert with 25 years experience at Lloyds Banking Group, and Royal Bank of Scotland, as Regional Director, Corporate Business Development for Solent and the South West.

**Roy Ruffler** founded Ruffler Bank in 1969 and was the Chairman and owner of the bank until May 2009, when he sold his shareholding to AnaCap Financial Partners.

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