

BANKING WITH WHO?



HISTORY

BANKS TODAY

MAKE A DIFFERENCE

WHAT ELSE?

An introduction to money and banks

What is money?

Money is a way to exchange, a measurement of value and a means of saving.

People have always exchanged. However, before money this meant finding someone who both wanted what you had and had what you wanted i.e. bartering. For example, if you had an excess of wheat, but no apples, you would have to find someone who had apples to give and needed wheat.

Money, in the form of coins or bills (or in some societies, shells or cattle), makes it possible for the person having wheat to sell it, even if the buyer has no apples. The seller of wheat then looks for apples to buy, using the money earned from the wheat sale.

Money works because people accept it as something that represents a certain value, although it does not **inherently** hold this value.¹



Did you know?

The term 'bank' comes from the Latin word 'banco', meaning 'bench', referring to the benches on which money lenders would sit. Money lenders who became bankrupt sometimes literally had their bench broken by the people.



What are banks?

Banking started around the 15th century when goldsmiths started storing gold for their clients. Customers received certificates which came to be used as a means of payment, like bank notes today.

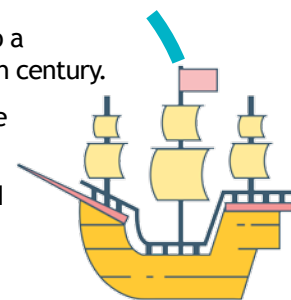
At first, goldsmiths only gave out as many certificates as they had gold. However, they realised that it was unlikely all their clients would demand their gold back at the same time and therefore gave out more certificates than the amount of gold they actually had - this was the basis of modern-day private banking.²

Banking and the British Empire

Much of the British Empire, and Britain's wealth today, was built on the slave trade. This is down to a growth of financial institutions, built to handle the exchange of produce and people during the 17th century.

Merchants made money from buying at low prices and selling at high prices. But they didn't receive this profit until after the long voyages (six months!) when the goods were sold.

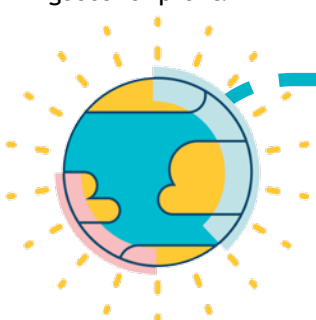
In the meantime, merchants had to pay for the voyage, including the ship and sailors. They needed a system for credit - banking - so they could do all of this before they had actually sold on their goods for profit.^{3,4}



Banks today

Today, banks sit at the heart of our economy. They are an influential force in society in providing funding and loans to companies, projects and individuals, to stimulate economic activity and generate a profit.

Although we all use banks, **do we really know what they do?**



Fossil fuels

What: Burning fossil fuels - coal, oil and gas - emits carbon dioxide and other greenhouse gases that trap heat in the earth's atmosphere, leading to global climate change. This has huge impacts for all life on earth, especially [those least responsible](#) for the crisis.

How: 35 global banks financed fossil fuels with £1.9 trillion since the Paris Agreement, an agreement to tackle climate change, in 2015. This has increased year-on-year. At this rate, fossil fuel financing will hit £700 billion per year by 2030.

Find out more: [Banking on Climate Change](#) / [Funding Climate Chaos](#)

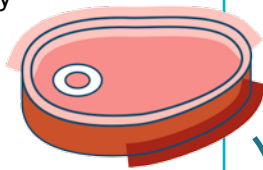


Factory farming

What: Industrial agriculture is a [major contributor](#) to the climate crisis, [causing numerous other issues](#), including mass deforestation, animal cruelty, wildlife loss, health issues, and exploitation of farmers and any Indigenous communities living on the land.

How: Loans totalling around £120 billion have flowed from over 200 banks to the world's thirty-five largest meat and dairy corporations, which together emit more than the economies of Germany, Canada or the UK.

Find out more: [Feedback, Butchering the Planet](#)



Weapons

What: Since 2000, an estimated 60% of the world's conflict-related deaths have been in the Middle East and North Africa region, while violence in Iraq, Libya, Syria and Yemen continues to displace millions of people annually.



How: 10 European banks have some of the highest investments in 11 of the global arms companies involved in these conflicts, financing up to £20.7 billion.

Find out more: [Ethical Consumer](#) / [Facing Finance](#)

ISSUES

Tax avoidance

What: Tax avoidance can involve businesses shifting profits to pay less taxes. In 2017, it was [estimated](#) that, globally, tax avoidance was losing nations over £360 billion a year - that's a lot that could have gone into essential public services like colleges and hospitals!

How: Banks not only loan to companies who use tax avoidance strategies but have also been involved in directly helping people dodge tax.

Find out more: [Ethical Consumer](#) / [BBC](#)



Human rights abuses

What: [Our human rights](#) include things like freedom of speech, freedom from discrimination and our right to education. Banks can directly violate rights themselves through their own practices, or, they can contribute to abuses through financial support of other companies who are violating human rights.


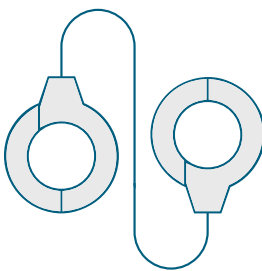

How: Reports found that UK banks and financial institutions hold shares worth over £10.8 billion in companies that sell weapons, military equipment and technology to Israel - used to deprive Palestinians of their human rights.

Find out more: [BankTrack](#) / [War on Want](#)



These are just some of the main issues and there are many others e.g. financing animal testing, mining, surveillance technologies, political activities and prisons (see case study below).

Case studies

Funding the climate crisis	Upholding structural racism in US prisons	Arming human rights abusers
<p>Barclays provided fossil fuel companies almost £91 billion between the end of 2015, when the Paris Climate Agreement was signed, and 2019. This makes them the 7th worst fossil bank in the world and the worst in Europe.</p> <p>HSBC ranks as the 12th worst bank globally, with £67 billion of support for fossil fuels. It continues to pursue financing new coal power plants in Southeast Asia, despite projections that 70,000 people could die every year due to coal pollution there.⁵</p> 	<p>CoreCivic and GEO Group are the largest providers of private prisons and immigration detention centres in the US.</p> <p>These industries have disproportionately affected Black Americans and resulted in the inhumane treatment of immigrants.</p> <p>GEO Group also runs immigration detention centres in the UK.</p> <p>In 2018, Barclays, HSBC and NatWest Group all provided financial services for CoreCivic and GEO Group.⁶</p> 	<p>Wars and conflict often result in the destruction of the homes and livelihoods of countless innocent people. Such upheaval also fuels the refugee crisis.</p> <p>Banks like Lloyds, Santander and Barclays have billions of pounds worth of investments in weapons companies that export to Saudi Arabia and the UAE. These countries have been complicit in the bombing of Yemen, including its farmland and hospitals, leaving around 24 million people needing humanitarian support.⁷</p> <p>HSBC has also been targeted for its links with companies that supply Israel with military equipment that is then used to continue the occupation of Palestinian land, which is considered illegal by United Nations human rights experts.⁸</p> 

Ownership structures

Financial institutions that deal with the depositing and lending of money usually have one of two ownership models: they're owned by those that use it; or owned by private investors.

Many high-street banks [are owned](#) under the same "parent" group or company e.g. Lloyds, Halifax and Bank of Scotland are all part of Lloyds Banking Group.



Cooperative or "mutual" ownership

Building societies and credit unions, by nature, are owned by those that use them i.e. their "members". This means, rather than profit-seeking external investors deciding how the bank is run, those that actually use the service are.



Not all small banks are sustainable...

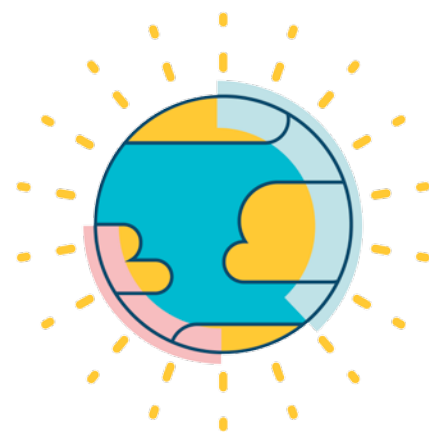
Some smaller banks, like newer app-based ones, may not currently be involved in funding dodgy industries like arms and fossil fuels. However, unless they implement robust ethical policies to exclude them **now**, there's nothing to say they won't in the future if they grow.

How to make a difference

What to look for in an ethical bank?

- **Policies:** does it have an ethical policy?
- **Investments:** Where does it invest money? Does it have a screening process dictating which companies it will and won't invest in?
- **Commitments:** Does it commit to action on issues you care about? Are commitments clear, quantifiable and dated?

Most of this information should be available on the bank's website, or you could contact them to request it.



Case study: the Co-operative Bank's Ethical Policy	Case study: Triodos Bank's investment policy and transparency
<p>The Co-operative Bank has an Ethical Policy based around five pillars, three of which include</p> <p><i>Ethical workplace and culture</i></p> <ul style="list-style-type: none"> • <i>Our workplace culture reflects co-operative values and ethics.</i> <p><i>Ethical banking</i></p> <ul style="list-style-type: none"> • <i>We do not provide banking services to businesses and organisations that conflict with our Ethical Policy.</i> <p><i>Ethical campaigns</i></p> <ul style="list-style-type: none"> • <i>We campaign for social and economic change in line with our values and ethics.</i> <p>The policy stops the bank from financing, for example, much of the fossil fuels or weapons industries.</p>	<p>Triodos Bank publishes details of every organisation it lends to, as well as companies it invests in. This is progressive as banks are notoriously secretive.</p> <p>The bank also applies a set of minimum standards, explicitly outlining what areas it will not invest in.</p> <p>These policies also cover the bank's positive investment approach, which is centred around financing sustainable sectors i.e. ones that have real social, cultural or environmental benefits. For example, this could include funding nature-friendly farming or community groups for young people.</p>

Are banks the only option?

Building society

A [building society](#) is a type of financial institution that provides banking and other financial services to its members.

What's good?	Keep in mind
Owned by, and run for, members	Still useful to look into policies and commitments
No shareholders	Building societies have a huge influence on the housing sector through the number of mortgages they hold collectively.
Tends to be more long-term focussed	



Case study: Nationwide Building Society

[Nationwide Building Society](#) is the largest building society in the world, with around 15 million members. It is UK-based and offers mortgages as well as current and savings accounts.

It is a "mutual" organisation, stating "our mutuality, the fact that we are owned by our members and run for their benefit, makes us fundamentally different from our big competitors."

Credit union

A [credit union](#) is a financial cooperative that provides traditional banking services to its members.

What's good?	Keep in mind
Owned by, and run for, members	Some have more limited services than others
No shareholders and a focus on serving the community	"Common bond" requirement (see box below)
Financial inclusion: credit unions usually charge lower interest rates and will often lend to those turned away by mainstream banks	



Case study: credit union accounts for young people

[Engage accounts](#) allow many credit union members to access standard services such as a debit card, paying by direct debits or using a digital app.

[Specific options for young people](#) include a standard Engage Account (16+) and an Engage Smartcash Junior member account (8-16).

These accounts can only be applied for through your local credit union. Engage has its own [search directory](#), as do other websites such as [Find your Credit Union](#) and [Credit U](#).

The need for a common bond

One of the requirements of a credit union is that members have something in common with one another - known as a "common bond".

The [common bond requirement](#) varies for each credit union and can include:

- Geographical area e.g. where you live or work
- Occupation, or employment by a specific organisation
- Living in the same household as a member

Switching accounts

Already got a bank account but not confident they're meeting your ethical standards?

You can easily switch bank accounts between most banks or building societies using the [Current Account Switch Service \(CASS\)](#). They have written a [simple guide](#) outlining the steps you need to take.

If you want to switch to a credit union or a bank or building society not using the CASS, you will firstly need to speak to your desired provider about how you can switch in the easiest way.



Leaving your old bank

When you switch, it can be useful to tell your old bank why you're leaving. Explaining that you refuse to bank with, for example, someone that finances the fossil fuel industry makes it clearer to them and could encourage them to change their practices.

One customer leaving has some impact, but many customers leaving together can drive systemic change over time. A group of students could be powerful in this regard! For example, [some students began boycotting Barclays Bank](#) in 1969 because of the bank's links to the [apartheid regime in South Africa](#) at the time. This pressure contributed to the bank eventually ending those links in 1986.



What else can I do?

Moving bank accounts to reflect our values is not the only way to influence banks' practices. You can also have impact by engaging with other people and organisations around you.



Other potential actions to take

> Lobby parents or carers to switch

Given they will usually have more money than young people, talking with them about this could have a bigger impact - especially if you lobby them to switch to a more ethical provider.

> Lobby your college or sixth form

Pushing organisations to bank more ethically will have a large impact on the way banks are run, as they often want the business of bigger institutions, including your college or sixth form.

> Campaign for better financial education

Call on your college or sixth form to include ethical considerations in any financial education they provide for students. Speak to your Headteacher and department heads, as well as your students' union or careers service if you have one.

> Join those calling for wider change

There are other huge issues with our financial system beyond only personal banking. Check out other campaigns demanding a fairer and more sustainable system, such as [Positive Money](#), which has local groups across the UK.

Further resources

[Bank on our Future](#)

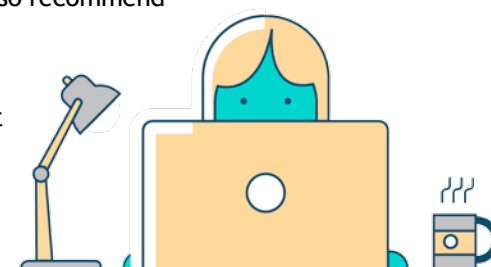
A network of different groups pushing banks to stop funding fossil fuels. They also recommend [further actions](#) you can take.

[Ethical Consumer](#)

Provides tools and resources, such as ethical ratings for companies, to support consumers to make ethical choices in a variety of areas, including banking.

[Banking 101](#)

A free, six-part video course to help you better understand how money and banks work.



¹What is Money, Positive Money, accessed on 17 March 2021, <https://positivemoney.org/2011/05/what-is-money/>

²Our Money - Towards a New Monetary System, Frans Doorman, 2015, <http://positivemoney.org/wp-content/uploads/2015/10/Our-Money-06-4-2015-A5-Download-Positive-Money-28-8-2015-2.pdf>

³Slavery and the Building of Britain, BBC, 17 February 2011, accessed on 17 March 2021, https://www.bbc.co.uk/history/british/abolition/building_britain_gallery_02.shtml

⁴Slave trade and the British economy, BBC Bitesize, accessed on 17 March 2021, <https://www.bbc.co.uk/bitesize/guides/zc92xnb/revision/7>

⁵Bank on our Future webpage, accessed on 17 March 2021, <https://bankonourfuture.uk/banks/>

⁶Financing racism in US private prisons, Ethical Consumer, 11 September 2020, accessed on 17 March 2021, <https://www.ethicalconsumer.org/money-finance/financing-racism-us-private-prisons>

⁷Banks profiting from the arms trade to the Middle East and North Africa, Ethical Consumer, 11 September 2020, accessed on 17 March 2021, <https://www.ethicalconsumer.org/money-finance/banks-profiting-arms-trade-middle-east-north-africa>

⁸Stop Arming Israel, War on Want, 27 July 2017, accessed on 18 March 2021, <https://waronwant.org/news-analysis/stop-arming-israel>

If you have any comments, suggestions or are a student wanting to get more involved in the campaign, please e-mail hello@sos-uk.org. The contents of this guide have been written for information purposes only and should not be viewed as financial advice.

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