



Businessbank

Although Oceanus pays little attention to Government policy, the recent suggestion of a "People's Bank" could not pass without comment. Apparently, the idea is to increase the efficiency of the benefit payment system by encouraging more members of society to have bank accounts, thus making cashless transfers the norm.

The People's Bank would cut the cost of making payments, and reduce the opportunities for fraud. It may improve personal safety if People no longer have to walk about with lots of cash. However, the cost of providing the banking service would be quite high. The combined marketing resources of the High Street banks must by now have persuaded almost everyone who would be a profitable banking customer to open their first bank account. Thus, the People's Bank would be likely to have the customers that the other banks don't want.

Presumably it would not be allowed to charge People 40% APR for their overdrafts, or even to levy much in the way of bank charges. It is therefore most unlikely that the People's Bank would make much profit and it would have to be under some sort of quasi-public ownership.

Oceanus cannot help but wonder. If there is an advantage in providing the lowest level of People with banking services, what about providing the lowest level of Business with banking services? Of course, Oceanus is aware that almost all businesses have bank accounts already. Often the businesses are largely domestic and the service provided to them by their clearing bank is excellent.

However, many businesses are international, and need the services of a bank to match. But the international banks are only prepared to provide those banking services that are profitable. The major international banks make much of their "relationship" approach to banking these days. This is certainly most welcome to many of their larger customers. However, the banks' measure of their own profitability is linked to the provision of

this relationship based service. They do not have the ability to provide a cheapo service with a second rate relationship manager. They either do the business their way, or they do not do the business.

Thus, many companies cannot get access to a whole range of banking services that would benefit them – and increase their own profitability. The provision of international cash management is the kind of service that Oceanus would like to see made more readily available to smaller international corporations. International banks – the ones that are able to provide these services – will not do business with many perfectly respectable companies, just because they are deemed to be too small. This can mean that companies with less than half a billion dollars' turnover are being turned away.

Think of the advantages to our economy if all these companies had access to excellent international cash management. Companies' profitability would increase; perhaps they would expand their operations into even more new territories. There would be increased employment, both in the UK and overseas. Companies may even grow so much that they would become big enough to have proper grown-up relationships with banks. Then of course, they would be besieged by the international banks wanting to have a piece of their business.

So when Oceanus is elected to high office (watch this space) there will be a new policy to create the Business Bank. The customers will be all those companies that the international banks don't want. The Business Bank will be able to offer employment to relationship managers who have failed to make the grade with the international banks. It will not matter that they are a bit ruder or more ugly than usual, since they will have to keep a discreet distance from their customers. After all, the Business Bank is only for the companies that are not large enough for a proper relationship. ■

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