

Barclays Bank's Strategic Transformation and Analysis after Brexit

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Abstract. This report examines Barclays Bank's recent strategic initiatives aimed at addressing profitability challenges and revitalizing its market position following significant financial struggles. On July 16, 2024, Barclays US Consumer Bank introduced a new tiered savings product offering competitive interest rates with no monthly maintenance fees or minimum deposit requirements. Additionally, the bank simplified its investment pricing structure by eliminating several fees, enhancing accessibility for clients. The analysis evaluates the customer benefits of these innovations, particularly in the context of post-Brexit regulatory pressures and competition from other financial institutions. It highlights the dual objectives of attracting new clientele and retaining existing customers by providing higher interest rates and reduced fees. Furthermore, the report discusses the implications of Barclays' decision to cease services for UK expatriates, which has led to decreased cash flow and contributed to declining yields. Ultimately, the findings underscore the importance of flexibility and innovation in today's banking landscape as Barclays seeks to rebuild trust and improve its financial performance.

Keywords: Barclays, Savings, Investment, Brexit.

1. Introduction

In recent years, Barclays Bank has faced significant challenges that have impacted its profitability and customer base. This report explores the bank's introduction of new products and services aimed at revitalizing its market position. On July 16, 2024, Barclays US Consumer Bank launched a new tiered savings product that promises competitive interest rates without monthly maintenance fees or minimum deposit requirements [1]. Additionally, the bank has simplified its pricing structure for investment services, eliminating various fees to make investing more accessible to its clients [2]. This paper will evaluate the customer benefits of these offerings, analyze the underlying reasons for Barclays' current financial struggles, and provide insights into the strategic decisions made to attract new clientele, particularly in the context of post-Brexit regulatory challenges and competitive pressures from other financial institutions. Ultimately, this analysis will highlight the importance of innovation and flexibility in today's banking environment as banks like Barclays seek to improve their performance and regain customer trust.

2. The new policy proposed by Barclays Bank and the reasons for doing that

2.1. New Tiered Savings Product

Regarding the New Tiered Savings Product, it simply means that customers can choose to deposit their funds into this new product and receive different deposit interest rates based on the deposit amount (Table 1). From Table 1, it can be seen that the minimum interest rate of 1% is the interest rate when the deposit amount is less than \$10000 (table 1). When the interest rate is based on \$10,000 to \$50,000, the deposit interest rate is 4%. When the deposit amount is between \$50,000 and \$250,000, the deposit interest rate is 4.50%. When the deposit exceeds 250,000 yuan, the deposit interest rate will be 4.80% [3].

Table 1. Interest Rate of New Tiered Savings Product

Deposit amount range	Interest rate (%)
Less than \$10,000	1.00
\$10,000 - \$50,000	4.00
\$50,000 - \$250,000	4.50
More than \$250,000	4.80

Based on the FDIC's National Rates and Rate Caps, the national average of savings account rates are 0.45%, the Barclays Tiered Savings account which is higher than \$50000 is currently 10X the national average of 0.45% APY [3].

Also, no monthly maintenance fee is required, and there is no need to open a minimum balance. At the same time, customers can deposit the money directly very easy, even in the online transfer. This product provides customers with a lot of convenience in all aspects.

2.2. Benefits of New Tiered Savings Product for customers

It can be clearly seen that unlike fixed deposits, this New Tiered Savings Product not only has higher interest rates, but also the convenience of a current deposit. For customers, based on the deposit interest comparison table in Table 1, as long as the deposit exceeds \$10,000, a 4% interest rate is not particularly low. Although there is no minimum amount requirement for this product, at least \$10000 in interest must be included to have a high cost-effectiveness, and \$10,000 is actually not a small amount. Therefore, it also has a high demand for cash flow from customers. For customers, if they have a lot of cash flow and don't know how to handle it, they can consider depositing at least \$10000 in this new account. 4% has a higher interest rate compared to some other savings accounts, so it is a choice that can be considered by customers with more cash flow.

2.3. Barclays simplifies pricing structure for investing

For this new pricing structure for investing, there are basically for important change from the past:

First, the original minimum fee of £4 per month has been cancelled for smart investor. Second, for new customers, Barclays bank introduces new simple customer fees based on investment balances: when the investment balance reaches £200,000, the fee is 0.25%, and above £200,000 it is 0.05%. In the past, the fee for funds was 0.20% and 0.10% for other investments. Also, there were £4 minimum and £125 maximum fee for each month. Third, previously, each transaction cost 3 pounds. But for now, this fee was cancelled, too. Finally, £6 per transaction for UK and international stock trading. In the past, the transaction for UK and US is £6 per transaction and £9 per transaction for UK and other international stock trading [4].

Also, there are some other policies like no charge for buying and selling funds, no charge for regular investments.

2.4. Benefits of simplifies pricing structure for investing for customers

Firstly, for customers, the most obvious change is that many fees that need to be paid monthly, and some transaction fees have been cancelled or reduced. Most of the time, customers don't need to consider these additional costs anymore, they just need to think about how to invest in the product without affecting their cash flow if they want. For customers, this measure lowers the threshold for choosing this product, without too much fee introduction, and allows them to see the main features of the product at a glance. For customers, a product without too much complicated introduction is more likely to be liked by them.

Secondly, about the second change. Barclays bank cancelled the minimum and maximum fee for each month first. Next, decrease the customer fees when the investment amount is greater than £200,000 from 0.20% to 0.05%, but increased the fee below £200,000 from 0.20% to 0.25%. For customers, if they really like this product, when the investment amount is greater than £266,666.67 (table 2), the fee will lower than before. According to the calculation results below, this investment project will undoubtedly save customers more money compared to when the total investment amount

is greater than £ 266666.67, and the more investment is made, the more costs will be saved. As can be seen in formula (1)-(3). It is suitable for customers who have more cash flow and want to try some financial management or investment to choose from.

Table 2. Pricing Structure for Investing

Investment	Fee (%) before	Fee (%) now
Less or equal to \$200,000	0.20	0.25
More than \$200,000	0.20	0.05

$$\text{Assume the investment } x \quad (1)$$

$$0.20\%X = 0.25\% * 200,000 + 0.5\% * (X - 200,000) \quad (2)$$

$$X = \$266,666.67 \quad (3)$$

3. All benefits for Barclays bank to do that

3.1. Benefits for Barclays bank after the setting of New Tiered Savings Product

Obviously, the New Tiered Savings Product is a good product for consumers for sure, it has relatively high interest rate and could deposit money easily even use the online transfer. But as the report mentioned before, only when customers' saving accounts have at least \$10,000 to get 4% interest rate with a relatively high cost-effectiveness. If the money does not reach that amount, the interest rate will be only 1%. And if the customer wants to reach 10X the national average of 0.45% APY which is 4.5%, the minimum amount of money should be \$50,000, which the deposit amount is five times the previous amount. That is a large amount of money.

So, this is a good product for some customers, but although it has no minimum deposit amount, for customers to get high cost-effectiveness, at least \$10,000 is necessary for customers to deposit in this account. Compared to previous products, this new product is more successful in attracting customers to choose this new savings account because there is no minimum deposit requirement. Barclays Bank attracts customers to purchase this seemingly high interest and non-fixed deposit product through this method, but fundamentally it still requires customers to decide the deposit amount and whether to purchase this product based on their cash flow.

3.2. Benefits for Barclays bank after the setting of pricing structure for investing

Similar with the New Tiered Savings Product, the new pricing structure for investing is also a great product for customers. For Barclays bank, they cancelled a lot of fees to attract customers consider this investment product. Barclays Bank's move is likely to attract many customers who have never considered this product before to be interested in buying this investment product. So that the amount of money for investment will increase a lot. And this £ 266,666.67 does not take into account the cost of being removed, so there may even be many people choosing this new investment product even though they do not have enough cash flow to make the investment amount reach £ 266,666.67.

At the same time, Barclays Bank has increased the service fee for the first £200,000 from 0.20% to 0.25%, but significantly reduced the service fee thereafter (0.05%). This approach will encourage people with enough cash flow to consider increasing the investment amount to £266,666.67 or even higher to ensure that the service fee is cheaper than before.

3.3. Reasons for Barclays Bank to Offer Two New Products

According to New Tiered Savings Product and pricing structure for investing, it is obviously that both of Barclays bank's new products in the past six months are aimed at attracting more customers to deposit money into Barclays Bank accounts or purchase investment products. Perhaps their cash flow this year is not very sufficient.

Last year, according to a report from Barclays Bank, UK banks saw a 15% decline in annual profits and even reduced their bonus pools. The overall prize pool has been reduced by nearly 3%, from £1.8

billion to £1.75 billion. The profits of enterprises and investment banks have also decreased by 21%, to only £2.7 billion. Their trading revenue decreased by 18% to £7.2 billion [5].

According to the data above, it is obviously that in recent years, the yield of Barclays Bank has not been ideal. Perhaps based on this situation, in order to ensure sufficient cash flow, these two seemingly cost-effective and flexible products have been launched, but in reality, they still require sufficient or even higher cash flow to ensure profitability. This will attract more customers to deposit more money into Barclays Bank. After COVID-19, many people's cash flow has experienced some degree of pressure or even difficulties. At this time, measures must be taken to attract customers to deposit money and compete with other banks.

4. In depth analysis of these behaviors of Barclays Bank

4.1. Reasons why Barclays Bank's yield has been decreasing in recent years

After Brexit, many new regulations have emerged in the UK. Due to high compliance costs.

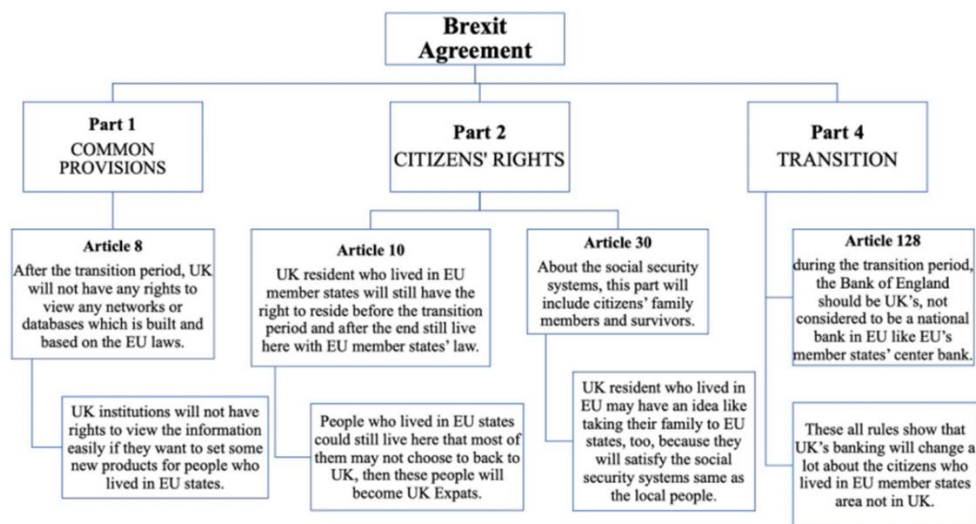


Figure 1. Brexit Agreement

Barclays Bank and some other banks in the UK have chosen to close accounts of foreign nationals in the UK. After Brexit, Europe formulated a series of rules to deal with Brexit. According to the Brexit agreement, most of the rules apply to British expatriates residing in Europe after Brexit, especially British citizens residing in EU countries before and after Brexit [6]. Many of the new rules are friendly to British people living in the EU, and it is troublesome to move again, which may also affect things like work and education. These new rules have led many Britons to decide to stay in the EU rather than return to the UK. Because of the Brexit agreement (table 3), Many British citizens may choose to live in EU countries after Brexit, even with their families.

FCA states that UK banks must treat every customer with respect, equality, and fairness. 'Equality' includes banks complying with the laws of the customer's location. Different countries have their own laws, and as banks, they should provide services according to local laws [7].

In fact, some large banks such as HSBC and Lloyds Bank had already closed accounts of British expatriates two years ago, when the UK had just left Europe [8]. Barclays Bank closed accounts for UK expatriates in 2023, possibly due to COVID-19, as they had to deal with some other important matters or did not have enough staff to decide on accounts for UK expatriates [9]. After the improvement in November 2019, Barclays Bank began implementing a plan to close British expatriates still residing in Europe.

If Barclays Bank continues to provide services to British expats living in Europe after Brexit, they will have to develop some new products according to local laws, which could be a challenging task and the number of clients will not be too large. So they made a business decision: they decided to close the account and notified them a few months ago. This measure can reduce many of Barclays

Bank's corresponding products, and the customers of these products may not account for a large proportion of Barclays Bank's total customers. Therefore, after its implementation, although some people expressed that it was unreasonable and unacceptable, there was no notification about Barclays Bank canceling this decision.

4.2. The subsequent impact of stopping providing services to UK expats

To avoid the compliance cost, Barclays bank decided to cancel all services for UK expats who lived out of UK. But also, this decision cause that so many customers choose to transfer their money out of Barclays bank, so that the cash flow for Barclays bank decreased a lot in a short period.

Compared to other banks in the UK, international accounts such as HSBC and Lloyds Bank are much more flexible than Barclays Bank. They have lower and easier requirements for customers, who can deposit money into their accounts according to their own situation or only need to provide proof of income [10]. Compared to Barclays Bank, Barclays Bank's international account does not care about your income. To have their international account, you must deposit £100000 into the account and cannot withdraw it, otherwise you will pay £ 40 per month, much higher than Lloyd's Bank's £ 7.50 per month. To keep the account in Barclays, customers must loss £100,000 cash flow [11]. (Table 3)

Table 3. International account

£	Income	Deposit	Fee per Month
Barclays International	N/A	100,000.00	40.00
HSBC Expat	100,000.00	50,000.00	N/A
Lloyds International	50,000.00	25,000.00	7.50

Note: data from Barclays, HSBC and Lloyds' international account website

Barclays Bank stated that they have set aside 6 weeks for UK expats to transfer funds from Barclays Bank [9], But people who have been living outside the UK for many years do not know how to open a new UK account without a UK address, otherwise they will not be able to continue receiving pensions as UK residents in the UK. People living outside the UK have petitioned the UK government and parliament, hoping that Barclays Bank can stop closing foreign accounts. This petition lasted for 6 months, but it did not end until January 30, 2016. The website only had 562 signatures, requiring at least 10000 people. Therefore, there is no follow-up action [12]. Although the petition did not successful, this incident led to a decline in the reputation of Barclays Bank. So that the cash flow for Barclays bank decreased a lot, the yield has been declining all these years.

5. Conclusion

In conclusion, Barclays Bank has taken proactive steps to address its recent profitability challenges through the introduction of innovative financial products and services. The launch of the new tiered savings product and simplified investment pricing structure reflects the bank's commitment to meeting customer needs while enhancing its competitive edge in a rapidly evolving market. These initiatives are particularly crucial in light of the bank's decision to discontinue services for UK expatriates, which resulted in the loss of a significant customer segment and a subsequent decline in cash flow. By focusing on attractive interest rates and reduced fees, Barclays aims to draw back lost customers and maximize deposits and investments. However, this strategy will require careful execution and ongoing adaptation to changing market conditions. As the landscape of banking continues to evolve, Barclays must remain vigilant in assessing its offerings and ensuring they align with the diverse needs of its customer base to foster long-term relevance and stability in the financial sector.

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