

These unusual economic conditions seem to suit our customers as their deposits, loans and investments continue to expand. We notice our long-standing strength working in the landed estates sector is being challenged if not surpassed by our business with entrepreneurs, although many fall into both camps.

A recent survey found that customers are on the whole very satisfied with the bank. Some customers requested clarification on the sort of business we want to attract: we welcome introductions to prospective customers who share our ethos and values and who mean to do significant amounts of business with us. However we also need to be selective in order to restrict the size of our customer base as we can only maintain excellent personal relationships with a finite number of customers.

Andrew Fisher joined our Board as a Non-Executive Director in January. He comes with extensive relevant business experience in all our main business areas. At the same time Henry Hoare stepped down from the Board after more than 50 successful years but he remains a full Partner.

In a previous letter I mentioned that the Retail Distribution Review fitted our business model well and we had elected to be “Independent”. Subsequently the regulators have issued new guidance about “Independent” and we have changed our election to “Restricted”. This should have no impact on customers; it allows us to promote our own discretionary investment management service, which is now treated as a product.

The regulations around cash handling and sanctions checking have become more onerous for us and our correspondent banks - please send instructions with full payment details as early as possible. At the same time the number and range of fraud attacks is rising rapidly. Please read the fraud reminders in our letters, on our website and on our online system and remain alert. The easiest way for a fraudster to attack a bank is by breaching the customers’ security.

We are mindful that customers do not yet have an “app” for their mobile devices, and that many of our processes are paper-intensive. We continue to work hard on this, and by the time of my summer letter I hope to report the bank is well on its way to becoming paper-free (in theory) and work should have begun in earnest on our first “app” for transactions and secure instructions.

Low interest rates and intensive regulation are challenging for us. I hinted at it a year ago, but now confirm that we will have to increase bank charges this year. They have been unchanged since 2011, and balances held no longer cover the cost of running current accounts.

We are often thought of as a banking family but there is a strong streak of science in our genes too. Here is Sir CAR Hoare (Tony), an eminent computer scientist: “There are two ways of constructing a system: One way is to make it so simple that there are obviously no deficiencies, and the other way is to make it so complicated that there are no obvious deficiencies. The first method is far more difficult.”

Alexander Hoare
January 2015

Please see overleaf for details of the Financial Services Compensation Scheme

We are legally required to advise you of the following:

Important Information about Compensation Arrangements

We are covered by the Financial Services Compensation Scheme (FSCS). The FSCS can pay compensation to depositors if a bank is unable to meet its financial obligations. Most depositors - including most individuals and small businesses - are covered by the scheme.

In respect of deposits, an eligible depositor is entitled to claim up to £85,000.00. For joint accounts each account holder is treated as having a claim in respect of their share so, for a joint account held by two eligible depositors, the maximum amount that could be claimed would be £85,000.00 each (making a total of £170,000.00). The £85,000.00 limit relates to the combined amount in all the eligible depositor's accounts with the bank including their share of any joint account, and not to each separate account.

For further information about the compensation provided by the FSCS (including the amounts covered and eligibility to claim) please call us on 020 7353 4522 or refer to the FSCS website www.FSCS.org.uk or call the FSCS on 0800 678 1100 or 020 7741 4100. Please note *only* compensation related queries should be directed to the FSCS.