

## Green and Ethical Banking

**Most of us have a straightforward, functional relationship with our banks. Money goes in and out and we trust them to look after our hard-earned cash and manage our day-to-day transactions for us. But how many of us actually understand where our money goes or who our banks lend it on to?**

It is easy to think of our banks simply as the providers of our current accounts and loans or the holders of our savings – but for many high street institutions these functions are just a small part of their overall business.

### **Who do banks lend to?**

First of all, banks lend to people like you via your overdrafts, credit cards, mortgages and loans. Then they lend to businesses – from small firms to large corporations, public institutions and even the occasional country. And let's not forget that banks also invest money in companies and corporations on your behalf through investment funds, ISAs and pensions.

The Treasury hands down some prohibitions and recommendations as to whom banks shouldn't do business with, but, in the main, your bank is free to loan or invest your money in numerous companies and institutions you might not approve of.

How would you feel, for example, if you found out that your bank was lending your money to a company selling arms or operating in countries with poor labour conditions?

### **What are the other key issues you should know about?**

#### ***Responsible Lending***

Does your bank have responsible lending policies that ensure that their products are targeted in an appropriate manner, i.e. to people who can afford to make the repayments? And does it provide advice or debt management services if customers fall into financial difficulty?

#### ***Climate Change and the Environment***

Is your bank doing its bit? Does it refuse to lend to or attach conditions to companies with large carbon footprints? Does it engage with companies on these issues? Are its own operations environmentally sound? Does it offer its customers any green or ethical products?

### ***Financial Exclusion and Responsibility toward Customers***

Does your bank offer basic accounts to the unemployed or low-waged? Does it ensure that proper checks are carried out before granting loans or issuing credit cards? Does it offer debt advice?

### ***Project Finance***

Does your bank properly screen the large scale projects it finances to ensure their green and ethical credentials?

### **What do I do next?**

If you're concerned about how your bank might be lending your money or about its performance in green or ethical areas – ask it for more information. If your bank has an ethical lending policy, ask for details of how it is put into practice and if it doesn't have such a policy, ask why not.

You can log on to [YourEthicalMoney.org](https://www.yourethicalmoney.org) to find out more about green and ethical banking alternatives, search for your bank's green and ethical profile on our database, or get advice on how to give your bank account a green and ethical makeover.

**You have a right to know what your bank does with your money.**