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# Guide to Ethical Banking

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## Introduction

Choosing your bank account is an important decision to make, after all you'll most likely be using it nearly every day. We understand that as an ethically minded investor, you'll want to make sure that the bank you choose is ethically sound and that it matches with your ethical mindset and values.

With that in mind, we've created this guide to provide you with some information about the main options that are available in the UK for ethical banking. For this guide we will be focussing on:

- Ethical Banks
- Digital Banks
- Sharia Banks
- Building Societies

We will give you a brief overview of who the banks are, what makes them ethical and what services they have on offer. We hope this will help to provide you with enough information to make your decision.

## Ethical Banks

### Triodos

[www.triodos.co.uk](http://www.triodos.co.uk)

#### Who are they?

Founded in 1980, Triodos are a Netherlands based bank with operations in Belgium, Germany, Spain and the United Kingdom. Their name is of Greek origin and means 'three roads', which for them are people, planet and profit. Triodos will invest your money in projects that have a positive impact on people's lives, protect the planet and build stronger communities.

#### What do they do?

Triodos provide finance to companies and organisations, often community enterprises, which they believe add cultural value to people and the environment. They will not invest in companies where 5% or more of their activities are directly related to non-sustainable products and services or non-sustainable working processes. Their projects include investment in solar energy, organic farming and culture. Their mission is to realise and promote quality of life in the broadest sense. They are focussing on the future with long term goals from a global perspective.

#### What services do they offer?

In the UK, they provide a digital only service as they currently do not have any physical branches here. They offer a range of services including current accounts, savings accounts, fixed rate bonds and a range of investment options.

### The Co-operative Bank

[www.co-operativebank.co.uk](http://www.co-operativebank.co.uk)

#### Who are they?

Founded in 1872, the Co-operative Bank are based in Manchester. They have 50 branches across the UK including one on Gordon Street in Glasgow. As part of their ethical stance, they do not provide finance to organisations that conflict with the ethical views of their customers.

#### What do they do?

The Co-operative Bank are the only high street bank in the UK with a customer led Ethical Policy ([click here](#)). Their Ethical Policy is overseen by a values and ethics committee that is chaired by an independent director. It is reviewed on an annual basis through the distribution of a survey to all their clients. This has led to a commitment to avoid financing armaments, the extraction or production of fossil fuels, gambling and payday lending amongst others. They estimate that since the Policy was introduced in 1992, they have refused in excess of £1 billion of finance.

As part of their commitment to being a positive influence on the world around them, Co-operative Bank have entered into a partnership with the youth homelessness charity, Centrepoin. Through this partnership, they have raised over £2 million which has been used to help fund a national helpline as well as a specialist helpline based in Manchester. In 2022 they were named the UK's best rated high street bank for ESG by Sustainalytics.

The Co-operative Bank found themselves in some financial trouble in 2017 which led to the need for some assistance. This has resulted in the bank being owned by a private equity firm. However, although their ownership has changed, their mission and ethical mindset remain the same.

If you'd prefer to use an online only bank, the Co-operative bank also run Smile digital bank. Launched in 1999, Smile also adhere to the Co-operative bank's Ethical policy.

#### What services do they offer?

The Co-operative Bank's services are all accessible via online banking or over the telephone. They offer a range of services including current accounts, savings accounts and other financial services.

### **Charity Bank**

([www.charitybank.org](http://www.charitybank.org))

#### Who are they?

Charity Bank was formed in 2002 with the aim of helping charities who struggle to find funding for their projects. They are owned by charitable foundations, trusts and social purpose organisations therefore they are not driven by profit but rather a desire to help the world around them. They are not just an ethical bank, they are also socially conscious, mission driven and values based. They believe that banking should always work for good, so they want to show people that it is possible to save your money in an ethical manner.

#### What do they do?

They state that their mission is to support your mission. They are a living wage employer who employ people who understand and care about their clients' projects. Since they were established in 2002, they have made over 1200 loans with a value of over £455 million. They have projects across a wide range of sectors including; Arts, Environment and Social Housing.

#### What services do they offer?

They are an online based organisation and offer loans and a variety of savings accounts.

### **Ecology Building Society**

([www.ecology.co.uk](http://www.ecology.co.uk))

#### Who are they?

Ecology Building Society started in 1981 after a meeting of the Ecology Party unearthed a need for an ethical building society. From humble beginnings with 10 members and £5000, they now have over 10,000 members and assets worth £180 million. Despite the growth they have experienced, they still stick rigidly to their original values.

#### What do they do?

They are dedicated to providing finance to projects that use ecological building practices and promote sustainable communities. They are committed to providing mortgages for projects that might otherwise struggle. For example, they are interested in providing mortgages that would see derelict and abandoned properties being brought back into use to help contribute to the UK's sustainable housing stock.

Ecology Building Society practice what they preach. Their purpose-built office was constructed with the environment in mind. They have installed argon infused double glazed windows to help with temperature control, they used renewable sources where possible, and they have installed motion sensors and timers to ensure that unnecessary lights are not left on. They are also a living wage employer and their team regularly undergoes environmental training.

What services do they offer?

Ecology Building Society offer a range of savings accounts and mortgages.

## Digital Banks

As there are no physical branches and less paperwork, digital banks are often touted as the “greener” option. Many of these banks are newer to the market and do not have the same connections and investment in oil, armaments, tobacco etc. as the traditional mainstream banks. These banks often focus on innovation and technology and appear keen to promote change and development in the finance industry. You will need a compatible mobile phone or digital device to access these accounts.

### Monzo

([www.monzo.com](http://www.monzo.com))

#### Who are they?

Founded in 2015, Monzo was granted its full banking license by the FCA in 2017. They initially offered only pre-paid debit cards but now offer a variety of current accounts and savings accounts. Alongside this, Monzo’s app offers users the ability to track their spending with features such as savings goals, budgeting help and direct debit management.

#### What do they do?

Monzo’s mission is to make money work for everyone. Not only do they want their own clients to benefit from their services, but they also hope to drive up standards across the banking industry to make sure that as many people as possible can get the support they need with their finances.

They are a digital only bank; therefore, they do not have any branches which they believe helps contribute to their low environmental footprint. They also do not invest in fossil fuel energy companies. However, they are aware that they still contribute to the climate crisis and acknowledge the responsibility they have to minimise and offset their carbon footprint.

#### What services do they offer?

Monzo offer a variety of current accounts and savings account for personal and business use alongside credit cards. They also offer the ability to spend money abroad without additional fees.

### Starling

([www.starlingbank.com](http://www.starlingbank.com))

#### Who are they?

Starling Bank was founded in 2014. They are focussed on technology therefore market themselves as an alternative to traditional banking. However, they have partnered with the Post Office to allow their customers to withdraw and deposit money via Post Office branches.

#### What do they do?

Starling focus on technology, fair service and honest values. They state that they are more concerned with solving people’s problems than selling them things.

They are striving to reduce the gender gap in financial services. They were founded by a woman and 40% of their leadership team are women. They found that the gender pay gap starts in childhood as boys tend to receive 20% more pocket money than girls. Their

'Let's Make Pocket Money Equal' programme strives to eradicate this by offering ways in which to educate children equally.

#### What services do they offer?

Starling offers personal current accounts, joint current accounts, a Euro account and current accounts for children. They also offer a range of business accounts and money transfers.

#### **NS&I**

([www.nsandi.com](http://www.nsandi.com))

#### Who are they?

National Savings and Insurance (NS&I) is a state operated UK financial institution. NS&I was formed by the Palmerston government in 1861 as the Post Office Savings Bank and was the first postal savings system. The aim of the bank was to offer ordinary people the chance to save money so they could provide for themselves in case of adversity or ill health. They feel that although they are over 160 years old, their core purpose remains the same.

#### What do they do?

Run by the UK Government, NS&I offer a variety of savings and investment opportunities that are 100% secure and backed by the UK Treasury. The money you save with them will be used to fund a variety of governmental projects and initiatives. They now offer Green Bonds which are part of the government's drive towards sustainability.

There are rules in place to ensure that NS&I do not offer market leading products that could stifle competition.

#### What services do they offer?

NS&I only offer savings accounts, not current accounts or credit. Currently they offer premium bonds, green bonds, ISAs, income bonds, a savings account and an investment account.

#### **Tandem**

([www.tandem.co.uk](http://www.tandem.co.uk))

#### Who are they?

Established in 2014, Tandem was one of the first digital challenger banks in the UK. Their aim is to help people live an overall greener lifestyle by providing green finance products but also hints and tips for their lifestyle in general.

#### What do they do?

As well as offering greener finance solutions, Tandem also have their 'Green Hub' where they share blog posts about ways to make the rest of your life more green. They have articles about issues such as how to make your home sustainable, ways to make your home more energy efficient and the benefits of cycling.

#### What services do they offer?

Tandem offer a range of savings accounts and lending options.



## Sharia Banks

The principles of Sharia finance are derived from the teachings of Islam. This form of finance encourages fair practice and social responsibility. Sharia banks promote trade and enterprise to encourage the generation of wealth for everyone. One of the key principles of Sharia finance is that they cannot charge or pay interest and must comply with core ethics by not investing in gambling, alcohol, tobacco, armaments, pornography and other commodities contrary to Islamic values.

### Gatehouse Bank

([www.gatehousebank.com](http://www.gatehousebank.com))

#### Who are they?

Established in 2007, Gatehouse Bank takes a Sharia, ethical and socially responsible approach to finance. It has two branches in the UK, one in Milton Keynes and the other in Wilmslow. However, their services are available online.

#### What do they do?

They claim that they exist to help people realise their dreams and aspirations in a transparent, fair and socially responsible way. They aim to support their clients' values as well as their financial goals.

They offer Woodland Saver accounts, which support the creation of new woodlands in the UK by planting a tree for each account that is opened or renewed. They have been a certified carbon neutral business since 2021.

#### What services do they offer?

Gatehouse Bank offers a range of savings accounts, Sharia compliant mortgage alternatives and buy to let finance options

### Al Rayan Bank

([www.alrayanbank.co.uk](http://www.alrayanbank.co.uk))

#### Who are they?

Previously the Islamic Bank of Britain founded in 2004, Al Rayan Bank was purchased by Masraf Al Rayan in 2010 is now a UK subsidiary of the second largest bank in Qatar.

#### What do they do?

Alongside supporting national and international charitable causes, Al Rayan also gets involved in charity work at a local level through projects such as mentoring children. To make sure that they continually follow the principles of Sharia finance, they have a Sharia Compliance Department and a Sharia Supervisory Committee who consistently review the work of the bank.

#### What services do they offer?

A range of savings accounts and Sharia compliant mortgage alternatives.

## Building Societies

As an alternative to ethical banks, you could consider a building society. Building societies are mutual (i.e., owned by the customers) and by law, have to focus most of their lending on house ownership. You may find that some also do small commercial mortgages and many offer 'buy to let' lending. However, that does present its own ethical dilemma.

If you choose to open an account with a building society, you are then deemed a member and therefore have the right to vote on matters such as policy and board members.

Some high street building societies have environmental or community policies, but they are not really at the front of their operations.

Some options to consider are:

- Nationwide ([www.nationwide.co.uk](http://www.nationwide.co.uk))
  - Current accounts
  - Mortgages
  - Savings accounts
  - Other financial services
  - They have multiple branches across Scotland as well as online services.
- Coventry Building Society ([www.coventrybuildingsociety.co.uk](http://www.coventrybuildingsociety.co.uk))
  - Savings accounts
  - Mortgages
  - They do not have any branches in Scotland but are available online.
- Yorkshire Building Society ([www.ybs.co.uk](http://www.ybs.co.uk))
  - Savings
  - Mortgages
  - Other financial services
  - They have branches in the Greater Glasgow area and Edinburgh alongside online services.
- Scottish Building Society ([www.scottishbs.co.uk](http://www.scottishbs.co.uk))
  - Savings
  - Mortgages
  - They have branches in Edinburgh and Glasgow alongside online services