



2011 WINNING CASE STUDY
Technology
Deloitte with Metrobank



Launching the UK's first new high street bank for 100 years

Executive Summary

In October 2007, Northern Rock had just collapsed and the banking industry was in meltdown. It hardly seemed an auspicious time to launch a new bank. However, the founders of Metro Bank thought differently.

In 2008, Vernon Hill and Anthony Thomson asked Deloitte to help them write a business case for a new breed of bank. It would open seven days a week, allow you to set up an account instantly, and your dog would be welcome, too.

Deloitte subsequently supported Metro Bank's FSA banking licence application and ran a full IT services outsource procurement in just 8 weeks, saving Metro Bank 50% on the previous best offer. Following this extraordinary achievement, Metro Bank asked Deloitte to supply an Acting CIO to sit with the executive and manage delivery of all IT infrastructure and services up until launch.

Despite the economic downturn, Metro Bank launched successfully on 29 July 2010. Its IT solution is fundamentally simpler than those of other high street banks yet offers a number of firsts for British banking. Metro Bank is the first UK bank to use exclusively thin client technology, and the single core platform enables a single customer view. The technology allows customers to open an account and receive a new debit card, credit card and cheque book on the spot.

The press welcomed "a genuine alternative to high street banks" that could "raise the bar for service in the industry". Meanwhile, the client acknowledges Deloitte's IT expertise as core to Metro Bank's success.

Project and approach

Ian Footitt, financial services strategy partner at Deloitte, first connected with US entrepreneur Vernon Hill in October 2007. Vernon had founded Commerce Bank in New Jersey in 1973, grown the business until it had 470 branches and was worth \$8bn, and recently sold it to TD Bank of Canada.

Ian shared information and insights about the UK market with Vernon and fellow co-founder Anthony Thomson, and helped with some high-level financials to support an initial discussion with the FSA. Metro Bank subsequently engaged Deloitte to lead development of the business plan.

In Q2 2008, Deloitte supported Metro Bank's banking licence application to the FSA. This involved re-cutting financials, running new stress tests using the Deloitte model and helping Metro Bank navigate the brand new liquidity regime that was introduced following the banking crisis.

The next challenge: IT procurement in 8 weeks

In August 2009, Metro Bank started ramping up towards the launch, and needed an IT infrastructure partner to provide hosting, desktop, network and call centre services. It already had a proposal from a previous supplier, but the cost was too high. Metro Bank asked us to help reduce the cost of the IT infrastructure by engaging with a range of suppliers.

The timescale was borderline impossible. We had just 8 weeks to document the requirements, identify and engage with potential suppliers, run an RFP process, create a shortlist, and gain signature of a letter of intent.

Recognising the urgency of the situation, Deloitte's team of four consultants adapted its standard procurement processes and rose to the challenge, delivering the required outcomes in record time and saving Metro Bank over 50% on their previous best offer.

Preparing for launch: building the bank's foundations

The founders envisaged a bank that was an open, welcoming retail environment with revolutionary customer service. Customers would be able to set up an account quickly and simply, and branches would be open seven days a week.

As the launch date got closer, it was crucial for Metro Bank to ensure that the IT infrastructure would be in place to deliver ground-breaking new services to customers. Metro Bank engaged Deloitte to manage the design, test and implementation of the bank's front office, data centre and network infrastructure. This included creating the IT systems architecture and design standards for internet banking, CSR/teller interfaces and automated telephony solutions for banking.

Over the course of the engagement, Deloitte provided a team of around 15 consultants with expertise in security, IT systems delivery, testing, regulation, resilience and reconciliations.

Key activities included:

- **Acting CIO** – In October 2009, Metro Bank asked Lucian Morris, one of Deloitte's procurement team, to ensure that the bank's IT systems were implemented on time for the launch. Lucian sat on the bank's executive team until October 2010 to provide steering on IT programme management and own delivery of all IT infrastructure. Lucian's role was fundamental to the successful launch of the bank.

- **FSA assurance** – Deloitte’s FSA assurance team worked with Metro Bank’s executive team to achieve the FSA licence in February 2010 and maintained ongoing communications with the FSA up to the launch in July 2010.
- **Test Manager** – Metro Bank engaged a Deloitte test manager from November 2009 to June 2010 to bring order to the bank’s growing testing facilities.

It is testament to the strength of the client / consultant relationship and the value we represented that we were originally engaged for an 8 week procurement, but were then handed a much more significant role fulfilling the bank’s CIO function.

Saving the crown jewels

Metro Bank appreciated our willingness to tackle difficult issues. In one memorable discussion, the client considered outsourcing the bank’s IT systems architecture. Deloitte challenged this view, arguing that the architecture is the “crown jewels” of the bank as it is fundamental to understanding how the bank works and to retaining its independence. Our reasoning persuaded Metro Bank to keep the architecture in-house.

Firsts for British banking

Many aspects of the technology we designed and implemented are radically different for the UK financial market.

It is a fundamentally new concept in the UK to use an off-the-shelf product (the Temenos T24 Model Bank platform) to create a functioning bank, and this represented a significant achievement for the team. The benefits are clear as it allows Metro Bank to de-risk its development and avoid employing large numbers of software programmers to maintain the system.

The single core platform enables Metro Bank to keep all its customer data in one place and adds flexibility for the future. As new technologies develop, such as banking via mobile phone or contactless cards, Metro Bank will be able to develop new products and services and plug them into the existing system. At a time when the government is keen to encourage new banks to set up in the market, this pioneering approach lays a road map that others can follow.

We implemented thin client technology for Metro Bank, which is the first bank in the UK to use this technology exclusively. By holding data files separately and securely, the technology helps increase the security of customers’ data, which is increasingly important in the light of recent legislation.

Outcomes

Deloitte exceeded expectations with the initial sourcing engagement, meeting the extremely tight 8-week timescale and delivering a 50% reduction in the five-year cost model for IT infrastructure and related services.

Subsequently, we met every milestone up to the launch, from designing and testing to implementing the bank's front office, data centre and network infrastructure. When the first Metro Bank opened its doors in Holborn, central London, on 29 July 2010, the IT infrastructure was fully-functioning and ready to deliver on the bank's promise of unparalleled customer service.

Lucian Morris, the Deloitte consultant / Acting CIO, worked as a greeter in the Holborn branch over the launch weekend. After the first day's success he was so confident in the IT system that he was happy to be in the store rather than monitoring the systems behind the scenes.

Feedback from the press and public has been very positive to date. The Guardian reported that: "Britain's first new high street bank in living memory promises old-style service in an ultra-modern setting." The FT welcomed the new entrant to the market, saying there was room for "some disruptive fresh thinking" and "a bit of competition".

Customers, meanwhile, have been enthusiastic about Metro Bank's friendly atmosphere, the extended opening hours and the speed with which they can open an account.

Other significant results from the programme

- The website withstood a load of 70MBs per second during the first day of business.
- By working with Metro Bank throughout the entire delivery lifecycle we ensured that architectural standards were designed into the solution, ensuring consistency within the environment and reducing risk associated with ongoing management.
- Metro Bank can open an account and give the customer a fully-functioning credit and debit card, and a book of a dozen temporary cheques on the spot.
- Metro Bank now has a 'single customer view' - the capacity to view all its relationships with a customer from one viewpoint.
- The bank has a system that, uniquely for the UK, supports the bank's operations seven days a week.
- Deloitte oversaw the implementation of the first entirely thin client based store infrastructure within the UK, improving both the store deployment timelines for IT systems and improving the security of customer data.
- The IT system has so far facilitated the smooth running of the first four Metro Bank stores, and the system is in place to support the planned 200 branches by 2020.

How Deloitte added value

Deloitte added value by providing an Acting CIO, with the required technical and procurement skills, at short notice and being committed not just to delivering our elements of the project, but to delivering the bank.

Ian Footitt adds: “Whenever Metro Bank has got a problem, the first person they call is Deloitte. They know that nine times out of ten we will have people who understand the problem, can help and are available.”

Deloitte is still supporting Metro Bank with technology and risk expertise, and has people on secondment providing general management support to the bank.

Challenges

Timescales were a major challenge throughout this project. We changed our techniques to meet the short-term goals of an entrepreneurial start-up.

Lessons learned

Metro Bank learned a great deal about the complexity of the bank’s IT operation and how it could add value. During the testing phase, the CEO learned so much about IT that he could quote defect numbers.

The programme reinforced the value of good project discipline, following the software lifecycle to ensure that when your software solution meets the users, it’s fit for purpose.

Paul Marriott Clarke, Managing Director Retail Banking, adds: “The big lessons for me are to work to challenging but achievable deadlines, encourage institutional honesty about where we are, and ensure effective communication.”

Client testimonials

“Many thanks to you and all your teams. Every part of Deloitte was outstanding.”

Vernon W Hill, Vice Chairman, Metro Bank

“Deloitte played a significant role in the success of the launch of Metro Bank, working collaboratively with the Metro Bank team and demonstrating unerring commitment to achieving the launch of the bank. The Deloitte team became valued advisors, contributing skills in the delivery of key areas of the programme such as IT infrastructure, systems testing, IT security and in

communications with the FSA. I am extremely grateful for their support and guidance in what was a very challenging period for us.”

Craig Donaldson, Chief Executive Officer, Metro Bank

IT is the bedrock of any bank and the success of this particular project was not just fundamental to the business’ reputation, but core to the set up and success of the bank. Deloitte provided technical expertise, overall value at a programme level and solutions to ensure progress.

“As Acting CIO, Lucian was an active and intelligent member of the executive all the way through to launch. Regardless of the weight of any issue, Lucian approached it with calmness which helped in getting to the bottom of any problem and agreeing the resolution. He was always prepared to raise and tackle the difficult issues. He was an asset to the team.”

Aisling Kane, COO, Metro Bank