Scotland:
Financial services and banking

- The UK is a global leader in financial services. Supported by UK authorities like the Bank of England, the UK's financial sector is able to withstand financial shocks and protect consumers.

- Independence would break the UK's single, domestic market for financial services and could increase the costs of insurance, mortgages and pensions for consumers.

- An independent Scotland would also have an exceptionally large financial services sector compared to the size of its economy, making it more vulnerable to financial shocks and financial instability.

Independence would have significant consequences for the Scottish financial sector and its consumers

- **As part of the UK, Scotland benefits from the UK's position as a global leader in financial services.** The financial sector is one of the most important in the Scottish economy – it contributed 8% of Scottish GDP (£8.8 billion) and supported 8% of total Scottish employment (nearly 200,000 jobs). Scotland also benefits from UK wide measures to support savers and pensioners, including the biggest ever increase in the ISA limit to £15,000 and the most fundamental change to how people access their pensions in almost a century.
- **The rest of the UK is an important market for Scotland. The UK single market means that financial services firms in Scotland can sell their products to customers across the UK.** Nearly 90% of ISAs and 80% of mortgages sold by Scottish firms are to customers in the rest of the UK. Scottish Financial Enterprise estimates that nine out of ten customers of Scottish firms live in the rest of the UK.
- **Independence would break up this domestic market. An independent Scotland would have to set up its own legal and regulatory framework for financial services, and its own tax system.** This would mean that firms selling pensions, insurance and mortgages in an independent Scotland and in the continuing UK would face extra costs from operating in both markets.

An independent Scotland would have an exceptionally large financial services sector compared to the size of its economy, making it more vulnerable to financial shocks

- **The Scottish banking sector is extremely large compared to the size of Scotland's economy and dominated by two large banks. The Scottish banking sector would be equivalent to 1254% of Scotland's GDP** – larger than Iceland, Ireland and Cyprus when they ran in to difficulties. The assets of the whole UK banking sector amount to 492% of UK GDP.
- **This would raise questions about an independent Scotland's ability to protect its savers and depositors in the event of a financial crisis**. In the 2008 financial crisis, the UK Government spent £45 billion recapitalising the Royal Bank of Scotland and the bank also received £275 billion of state guarantees and loans. This combined support would have been equivalent to 211% of Scottish GDP (including a geographic share of North Sea oil) in 2008.
- **The size of the UK economy means that even if a large firm fails, the UK Government can intervene to protect consumers and businesses.** The UK's Financial Services Compensation Scheme is able to pool risks and guarantee consumer deposits in a UK bank up to £85,000. **An independent Scotland would have to establish its own deposit guarantee scheme under EU law.** If one of the two large banks in Scotland were to fail, the costs for compensating depositors would fall almost entirely on the one remaining bank. If the scheme failed, an independent Scottish Government could be required to step in. **Currently, the deposits that would be covered by a Scottish scheme would be worth more than 100% of the Scottish economy.**