



ETHICAL BANKING:

How to make your money go green

Where we choose to store our money should be about more than convenience, customer service and interest rates - by deciding to bank ethically, we can all make a huge difference to our planet's future, explains Ruth Jackson-Kirby

Over the past few months, while we sat at home wondering when we would ever have control of our lives again, the planet was given a chance to breathe. Air pollution across the UK fell by an average of 40% in April, carbon emissions fell by a record 5% and the demand for fossil fuels declined. It's too soon to say what long-term effect lockdown will have, but it shows that it is still possible to help the environment. And the good news is it is something you have some control over without needing to leave your home.

In fact, one of the most powerful weapons you have against climate change is your finances. According to one report*, placing your pension money in green investments could have 117 times the impact of someone limiting themselves to one return flight a year. And that's not the only way you could help. Your money, whether it's the small amount sitting in your current account or (hopefully) thousands in your pension pot, could be busy fighting climate change when you're not using it.

What banks do with your cash

Obviously, when you deposit money into a bank account, it doesn't simply sit in a vault somewhere. Banks use the deposits in their savings and current accounts to fund their other banking activities, from loans to investments. This means your money could be funding all sorts of projects that you don't agree with.

Despite a growing worldwide movement to tackle climate change, many of our banks are continuing to fund the problem rather than the solution. Research by the Rainforest Action Network found that the world's biggest banks invested £1.5tr into fossil fuels between 2016 and 2019. The report picked out Barclays and HSBC as continuing to fund fossil fuel projects despite the 2015 Paris Agreement (a pact between 195 countries to cut greenhouse gas emissions). You can search for your bank at yourethicalmoney.org to find out more about its ethical credentials, from whether it lends to companies with poor human rights records to how many women sit on its board. Taking the time to look at how your money is affecting the planet and making decisions based on that can make a real difference.

Day-to-day green banking

By moving to an ethical bank, you will know your money isn't being used to fund anything that could have a negative impact on society. These banks do not invest in, or lend to, companies that trade in things such as arms, tobacco or fossil fuels. Instead,

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they lend to firms that are doing good in the world; this could be renewable energy companies or community projects. Some also offer mortgages to people building sustainable homes.

Ethical banks in the UK include Triodos Bank, The Co-operative Bank, Ecology Building Society, Charity Bank and Reliance Bank. The best known of the five is The Co-operative Bank. It has had an ethical policy since 1992, meaning it doesn't lend to companies that don't fit with its values, so it doesn't do business with the oil, coal or gas industries.

If you like perks with your banking, The Co-operative Bank's standard current account is free and you can earn up to £5 a month in rewards if you pay in at least £800 a month, don't go into an unauthorised overdraft, pay out at least four direct debits and log into online banking or the app at least once a month. You can choose to take the reward yourself or nominate one of the bank's chosen charities to receive the money instead.

Another option is Triodos Bank. Founded in 1980, Triodos only lends to organisations that are positively affecting the environment and society. This means your money goes to support renewable energy firms, social housing, organic food and farming and Fairtrade organisations as well as charities and social enterprises. Its partnerships include the Soil Association, Ecotricity and the RSPB.

The Triodos current account has all the bells and whistles you would expect from a big bank: you get online and mobile banking, overdraft options and a debit card. In addition, the debit card is biodegradable, unlike the other 164 million payment cards in the UK that are made from PVC and end up in landfill. The drawback with the Triodos account is the £3 monthly fee. Why would you pay for a current account when so many high-street banks offer free accounts? Triodos argues that by choosing to pay a set fee each month, you

BEST ETHICAL BANK ACCOUNTS

TYPE	BANK	INTEREST RATE	NEED TO KNOW
Current account	The Co-operative Bank	£5 monthly reward	Free account. You can earn up to £5 a month if you meet certain criteria
Instant-access ISA	Ecology Building Society	0.6%	£25 minimum deposit
Savings account	Ecology Building Society	Up to 0.95% depending on balance	A 90-day notice account. Minimum opening balance of £500
Fixed regular saver	Triodos Bank	1.25%	Save from £25-£500 a month. A maximum of two withdrawals a year with 33 days' notice



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TWO ETHICAL FUNDS

Although finding the right ethical investments is a personal choice, Moira O'Neill of interactive investor has two recommendations to get you started***.

'We like the Royal London Sustainable Diversified Trust,' she says. 'The ethical multi-asset fund filters out companies involved in common ethical no-nos, including tobacco, armaments and animal testing. The fund is a great example of why investing for good does not mean you will miss out on returns. It has consistently outperformed the sector average and ranks second for cumulative performance over three and five years.'

Another more niche option is VT Gravis Clean Energy Income Fund. 'With a yield of 3.5%, the fund offers a decent income,' says Moira. 'It invests in a diversified portfolio involved in the funding, construction, operation and supply of clean energy. It is relatively new, having launched in 2017, but it is off to a promising start***.'

investments, for example on a platform such as Hargreaves Lansdown or Fidelity International, you'll have access to possibly thousands of funds and shares. Here it gets harder for DIY investors to find ethical and sustainable investments.'

Investment firms can help you choose the right funds. For example, interactive investor has a curated list of funds, the ACE 30, which it thinks are a good choice for an ethical investor. 'However, you will need to read the fund's prospectus to find out whether a fund manager's idea of sustainable matches with your own,' says Jon.

A simpler option is to use a digital investment advice service. Companies such as Nutmeg, Wealthify, Wealthsimple and Moneybox will manage your money for a small fee. You tell them your investment goals and your timeframe, and they will put your money into a socially responsible investment portfolio.

If you're not sure where to start, the best bet is always to get independent financial advice. You can find an independent financial adviser (IFA) who specialises in ethical investing at ethicalinvestment.org.uk/for-private-investors.

Use your pension's superpower

The way your pension is invested can also tackle climate change. As it is invested for the long term and can build to be a sizeable amount of money, investing it ethically can have a real impact. Research by sustainable fund manager Nordea

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found that putting your pension into investments that support the planet could save 2,223 tonnes of carbon over your working life. To put that in perspective, cutting back to just one return flight a year would save 19 tonnes on average.

'Huge amounts of money are contributed to pensions every year, but many people don't realise the enormous power this money has to improve the way companies operate,' says Lorna Blyth, head of investment solutions at Royal London. 'You have choices about where to invest your contributions and there are funds available that invest in companies dedicated to developing environmentally friendly technologies or are run in an environmentally sustainable way.'

Thanks to auto-enrolment, millions of us now have money invested in a pension scheme. But, 90% of us make no active decision in what funds and companies our money is invested in, says Jon. 'Ask your HR department or pension provider what funds you're invested in and whether there is a sustainable or ethical option for you,' he says.

Nest Pensions, which has 8.6 million members, is pushing for more responsible investing in its mainstream funds and also offers an ethical fund. There is no need to worry that investing with climate change in mind will leave you worse off in retirement. 'The latest evidence shows a well-managed ethical portfolio performs as well as one without these considerations,' says Jon. □

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