Competition & Markets Authority

From: Colin Garland
Director, Remedies, Business and Financial Analysis

Lloyds Banking Group

13 October 2021

Lloyds' breach of the Retail Banking Market Investigation Order 2017 in relation to the publication of rates for SME lending products

I am writing to you on behalf of the CMA concerning Lloyds Banking Group's (Lloyds) breach of the Retail Banking Market Investigation Order 2017 (the Order).

This breach potentially affected 503 SME customers of Lloyds Bank, who took out a loan at a time when important information relevant to informing customer choice, which should have been published on the bank's website, was omitted on one page.

The breach

Lloyds has breached Article 31 of the Order, which requires the publication of the following contextual information in relation to unsecured lending for SMEs on its website:

(a) the size and term of the loan associated with the Representative APR;
(b) the rate of interest, and whether it is fixed or variable or both, expressed as a fixed or variable percentage applied on an annual basis to the amount of credit drawn down;
(c) the nature and amount of any other charge included in the total charge for credit;
(d) the total amount of credit; and
(e) the total amount repayable.

Lloyds did not publish this information on one page of Lloyds Bank's website between June 2020 and March 2021. We note that the information remained available as required on the other pages of the bank's website relevant to the customer search journey, including on the pages setting out the detail of each lending product.

The CMA notes that customers would have been provided with the information at the loan search stage, the pre-application stage and the application stage. However, it is a specific requirement of the Order that the contextual information is published on the bank's website where a representative APR is published. This is to facilitate SME customers choosing the best loan and customers may have made different decisions had they been able to access this information, which they were entitled to receive, in this location at the correct time.

Lloyds notified the CMA of this breach on 1 February 2021 as part of its annual compliance report.

I also note that between June 2020 and 9 April 2021 one Bank of Scotland Overdraft page did not include one element of the contextual wording, namely the information relating to the method of calculating the interest.

The CMA's concerns

The publication of this information was designed to ensure that SMEs applying for a loan could take account of the likely cost of a loan before starting an application. This would allow an SME to decide if the loan was right for them, and to see if a cheaper loan might be available elsewhere. Lloyds' failure to publish the contextual information in this particular location on its website made it more difficult for SMEs to understand and compare important features of Lloyds' loan with those of other banks at the decision-making stage of their consumer journey.

Lloyds has taken action to put things right

I am pleased that Lloyds has taken steps to end the breach, to prevent a recurrence, and to put things right for affected former customers. Lloyds has:

- ended the breach by publishing the required information in the required location;
- carried out a full review of the existing controls in place against this part of the Order;
- reviewed the compliance framework for digital and marketing content; and
- carried out staff training on compliance.

CMA assessment and next steps

Given the action already being taken by Lloyds, the CMA does not consider it appropriate to take further formal enforcement action in relation to this breach at present. The CMA will monitor the resolution of this breach and Lloyds' future compliance closely.

Yours sincerely

Colin Garland
Director, Remedies, Business and Financial Analysis