

Lloyds Banking Group plc

From: Colin Garland
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Lloyds Banking Group's breaches of Part 3 and Part 8 of the Retail Banking Market Investigation Order 2017

I am writing to you on behalf of the Competition and Markets Authority (CMA) regarding Lloyds Banking Group plc's (LBG) breaches of Part 3 and Part 8 of the [Retail Banking Market Investigation Order 2017](#) (the Order).

Part 3 of the Order requires banks and building societies that offer Personal Current Accounts (PCAs) and Business Current Accounts (BCAs) to publish Service Quality Indicators (SQIs). SQIs show whether surveyed account holders would recommend certain aspects of the quality of service offered by a bank or building society to friends or family. SQIs must be published prominently in branches and in information leaflets.

Part 8 of the Order requires providers of business overdrafts to small and medium-sized enterprises (SMEs) to publish a representative rate for those products. The representative rate must be set at a rate that the bank reasonably expects a majority of SMEs would be offered at the date of publication. Rates published must be displayed prominently and kept accurate and up to date.

The breaches

LBG breached Article 17.1.1 and Article 17.1.4 of the Order by failing to publish within its leaflets and on its branch posters the latest SQIs that had otherwise been updated pursuant to Article 15.4 of the Order. LBG failed to display the correct SQI information in 44 branches following the February 2022 SQI updates, in relation to three of its brands: Lloyds, Halifax, Bank of Scotland. In relation to the leaflets and posters displaying incorrect information, the incorrect rankings published by LBG between 15 February 2022 and 29 April 2022 are detailed below (August 2021) alongside the rankings that should have been published by LBG (February 2022):

Brand	<u>Personal Current Account (GB) Overall Service Quality Ranking</u>		<u>Business Current Account (GB) Overall Service Quality Ranking</u>	
	August 2021	February 2022	August 2021	February 2022
Lloyds	6 th	7 th	7 th	6 th
Bank of Scotland	8 th	9 th	-	-
Halifax	9 th	7 th	-	-

LBG also breached Article 30.3.2 of the Order by failing to keep the representative effective annual rate (EAR) in relation to Bank of Scotland's business banking overdraft up to date and accurate on one of its webpages. LBG published the representative EAR incorrectly between 22 April 2021 and 5 November 2021 as 11.25%, when it should have been published as 11.52%. The CMA notes that while the EAR was incorrect on one page, the overdraft rate and fees were correctly published elsewhere on the same page.

LBG notified the CMA of the Part 3 breach on 28 March 2022 and the Part 8 breach on 16 November 2021.

The CMA's concerns

The requirement for providers to publish up to date SQIs is an important element of our remedies to address the concerns found in the Retail Banking [Market Investigation](#). This measure, in combination with other remedies, was designed to make it easier for customers and businesses to compare and switch between Personal Current Account (PCA) and Business Current Account (BCA) providers and choose the best PCA or BCA for their needs.

The requirement for providers to display the cost of unsecured overdrafts prominently on their websites, and for this information to be kept accurate and up to date, is a further important element of our remedies. This measure was designed to make it easier for SMEs to compare the cost of unsecured overdrafts and choose the best product for their needs.

The CMA is concerned that LBG published incorrect and out-of-date SQI information in multiple branches but notes that LBG's detective controls identified the incorrect information and LBG corrected this information in a timely manner. The CMA is also concerned that LBG's approval process for website changes did not identify the incorrect information in relation to its representative EAR rate. LBG's failure to publish

the correct SQI rankings and representative EAR rate may have led to consumers choosing a product or bank that was not best suited for their needs.

LBG has taken action to put things right

I note that the breaches were self-reported by LBG and LBG has taken steps to end the breaches and seek to prevent a recurrence. LBG has introduced the following measures:

- LBG carried out a full review of its processes and controls of Part 3 and Part 8 of the Order with an independent body.

Part 3

- Amended its processes to ensure the distribution of Northern Ireland posters will be managed from a different location from the Great Britain posters.
- Enhanced communication to the branch network to help colleagues better identify correct posters and leaflets to be displayed, to ensure the destruction of out-of-date material and to reiterate to branch managers the importance of compliance and their role in ensuring compliance.
- Introduced an additional final approval of the branch communications from LBG's Chief Customers Office.

Part 8

- Created a new template for digital changes which highlights each pricing related element regulated by the Order.
- Strengthened its processes. All price change activities for LBG's public pages are now subject to a high risk four eye check performed by a senior colleague within the process for execution of the changes to public pages.
- The initiator of a change now performs a post live review to ensure the information being updated is accurate.
- Carried out a full review of all the information across its webpages in relation to Part 8 of the Order to ensure the information is accurate, up to date and compliant with the Order.

CMA assessment and next steps

Given the action already being taken by LBG, the CMA does not consider it appropriate to take further formal enforcement action in relation to these breaches at present. The CMA will monitor LBG's future compliance closely.

The public version of this letter has been copied to the Financial Conduct Authority.

Yours sincerely

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