

NatWest Group plc

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11 November 2022

NatWest Group plc's breach of Part 8 of the Retail Banking Market Investigation Order 2017

I am writing to you on behalf of the Competition and Markets Authority (CMA) concerning a breach by NatWest Group plc (NatWest) of Part 8 of the [Retail Banking Market Investigation Order 2017](#).

Part 8, Article 32 of the Order requires banks to make available to third parties (such as price comparison websites) important information on their SME loans, including the representative annual percentage rate (APR). This information must be accurate, comprehensive, and up to date.

The breach

NatWest breached Part 8 of the Order by failing to display the correct APR for an SME lending product (the Ulster Bank Northern Ireland Variable Rate Loan) between 2 August 2017 and 10 August 2022 (except between 13 June 2018 and 4 August 2018 when the APR was correctly displayed). For some of this period no APR was displayed at all and for some of this period the interest rate (which is a component of the APR) was displayed instead of the APR.

NatWest notified the CMA of the breach on 29 July 2022.

The CMA's concerns

The requirement to provide the correct APR for loans to price comparison websites and other third parties 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 SMEs to compare the cost of SME loans and choose the best product for their needs.

NatWest's failure to provide the correct APR to price comparison websites and other third parties for its Ulster Bank Variable Rate Loan may have led to SMEs choosing a more expensive loan than they otherwise would have done.

NatWest has explained that most of the 1,018 SMEs that took out an Ulster Bank Variable Rate Loan in this period were existing customers that would have taken out the loan through their existing relationships with Ulster Bank. According to NatWest, this means that it is unlikely that price comparison sites would have formed part of these SME's decision making.

However, for new-to-bank SME customers it is more likely that price comparison websites did play a part in their decision-making. Therefore, these new-to-bank customers could have been presented with incorrect information. NatWest has identified 97 new-to-bank SME customers that took out an Ulster Bank Variable Rate Loan where the APR could have been wrongly represented via a third party.

NatWest has taken action to put things right

I note that these breaches were self-reported by NatWest and that it has taken steps, or is currently in the process of taking steps, to end the breaches and to prevent a recurrence by:

- Improving the pricing change checklists for variable rate loans and small business loans to require stakeholders to attest to its product controls team that all actions have been checked and confirmed as complete including that the APRs have been updated and are on display correctly.
- Amending the structure of the table used to make loan rates available to third parties such as price comparison websites to give it a more user-friendly format.
- Reviewing the initiators and authorisers able to make changes/updates to the table mentioned above, including a control to ensure owners are regularly reviewing all the permissions.
- Running a training/teach-in session to the relevant business teams. This will also include a refresher of the relevant Retail Banking Order requirements themselves. This session will be repeated every 6 months to ensure reminders are provided and any questions can be promptly addressed.

NatWest will remediate affected SMEs as follows:

- For the 97 new-to-bank customers impacted (including eight customers who were new to NatWest and subsequently took out a second loan) NatWest will provide financial remediation given it is more likely they could have seen the incorrect information. The difference between what the customer has paid in loan repayments, compared to what the customer would have paid had the

published rate been correct, will be refunded. In addition, each customer will be provided with the option of cancelling the loan.

- For the 929 existing customers impacted (including the second loans for the eight customers above) NatWest will contact each and explain the breach. There will be no automatic refunding of the difference between the correct rate and the incorrect published rates, but any SME who is able to demonstrate that the incorrect information was a factor in taking out the loan can make a case to NatWest for a refund.

CMA assessment and next steps

Given the action that has been, and is being, taken by NatWest, the CMA does not consider it appropriate to take further formal enforcement action in relation to these breaches at present. However, the CMA will consider such action in the event of any further breaches. The CMA will monitor NatWest's future compliance closely.

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

Yours sincerely

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