



HM Treasury

# Basic bank accounts: July 2016 to June 2017

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December 2017



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# Chapter 1

## Introduction

### Background

- 1.1 Since the start of 2016, the 9 largest personal current account (PCA) providers in the UK have offered basic bank accounts that are fee-free for standard operations, including a failed payment, removing the risk that customers run up unintended overdrafts. Basic bank account customers are able to use the same services (e.g. ATM and Post Office counter access) as a financial institution's other PCA customers. These 9 institutions are:
- Barclays
  - Clydesdale and Yorkshire Bank
  - Co-operative Bank
  - HSBC
  - Lloyds Banking Group (including Halifax and Bank of Scotland brands)
  - Nationwide
  - Royal Bank of Scotland (including NatWest and Ulster Bank brands)
  - Santander
  - TSB
- 1.2 Between January and September 2016, these institutions offered basic bank accounts under the terms of a voluntary agreement ('the 2014 agreement'). The 2014 agreement followed extensive negotiations with the banking industry to improve basic bank accounts.
- 1.3 The government set the threshold for participation in the 2014 agreement on the basis of personal current account market share at the start of negotiations, and with a market share greater than one per cent of the market were invited to participate. The rationale for this decision was that it captured the largest institutions, as well as the medium-sized institutions who were seeking to grow their market share, and ensured sufficient coverage across over 90% of the UK's PCA market.
- 1.4 The 2014 agreement included a commitment by participating institutions to provide data to the Treasury on basic bank accounts and personal current accounts, and a commitment by the Treasury to publish information on basic bank account market share. The data in this publication fulfils this commitment.

## The Payment Accounts Regulations 2015

- 1.5 The 2014 agreement was made in the knowledge that the requirements in the EU's Payment Accounts Directive (PAD) would apply to the UK from 18 September 2016. Under PAD, consumers legally resident in the EU who meet certain eligibility criteria have a right to open and use a basic bank account.
- 1.6 PAD does not require every credit institution in the UK to offer basic bank accounts. Instead, member states must ensure that basic bank accounts are provided to consumers by a sufficient number of firms to guarantee access for all consumers and prevent distortions of competition.
- 1.7 At Budget 2016, the government designated the same 9 participating institutions under the Payment Accounts Regulations 2015 (PARs). This means that these 9 institutions are legally required to offer basic bank accounts, as defined in that legislation, to eligible customers from 18 September 2016.
- 1.8 At the same time, the then Economic Secretary to the Treasury wrote to the designated institutions to clarify that where their earlier commitments under the 2014 agreement were not superseded by the PARs, they were expected to continue to meet them. That included continuing to report the data outlined in paragraph 1.4 above. The Treasury included the text of these letters in the first publication of basic bank account data in December 2016.

## About the data

- 1.9 This publication presents data that has been reported to the Treasury in the last year by each of the 9 designated institutions. The Treasury has committed to publishing the data annually.
- 1.10 The first publication in December 2016 covered a six-month period, January to June 2016. The data in this second publication covers the period from 1 July 2016 to 30 June 2017.
- 1.11 For simplicity, the term 'consistent with the standards' refers in this report to basic bank accounts that are either consistent with the 2014 agreement or compliant with the PARs.
- 1.12 This publication does not include data from institutions that were not either parties to the 2014 agreement or designated under the PARs. Other institutions in the UK may offer accounts that have similar features to a basic bank account, or are marketed as such, but data on those accounts is not reported to the Treasury.
- 1.13 The figures reported have not been verified by HM Treasury or any other body. Enquiries on any individual institution's data or basic bank account product should be directed to that institution. The Financial Conduct Authority is responsible for ensuring designated institutions comply with the PARs.

## Further information

- 1.14 The Treasury's first publication of basic bank account data (December 2016) can be found at: <https://www.gov.uk/government/publications/basic-bank-accounts-january-to-june-2016>
- 1.15 Further information about the 2014 agreement can be found at: <https://www.gov.uk/government/publications/revised-basic-bank-account-agreement>
- 1.16 The Payment Accounts Regulations 2015 can be found at: <http://www.legislation.gov.uk/uksi/2015/2038/made>
- 1.17 Further information on the UK's compliance with PAD can be found at: <https://www.gov.uk/government/publications/uk-compliance-with-the-eu-payment-accounts-directive/uk-compliance-with-the-eu-payment-accounts-directive>



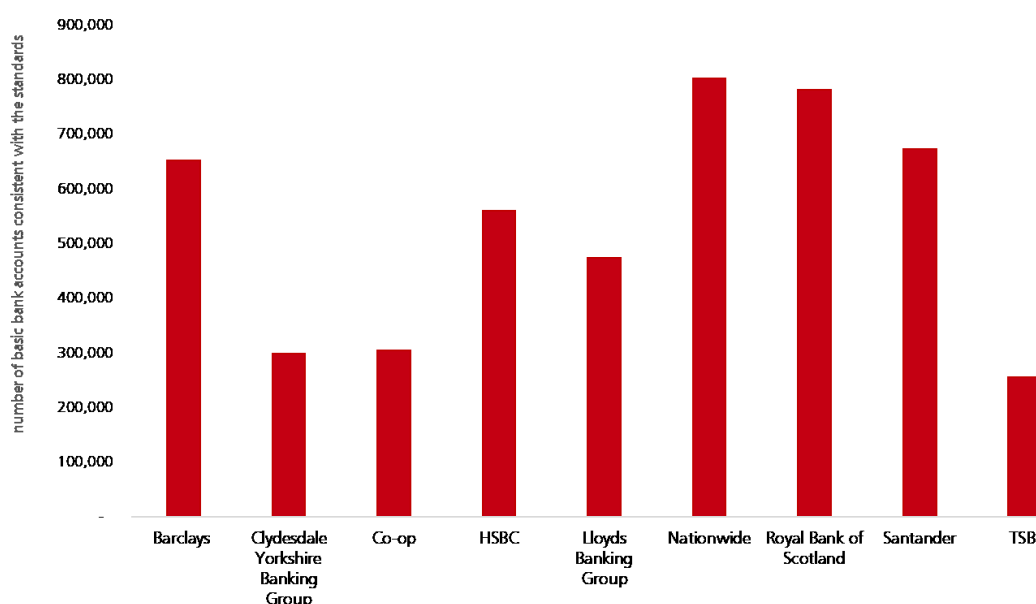
# Chapter 2

## Basic bank accounts

### Basic bank accounts that are consistent with the standards

- 2.1 At 30 June 2017, 4,797,142 basic bank accounts that were consistent with the standards were open at designated institutions.
- 2.2 Figure 1 shows how many of these basic bank accounts were open at each designated institution.

Figure 1: Number of open basic bank accounts consistent with the standards on 30 June 2017

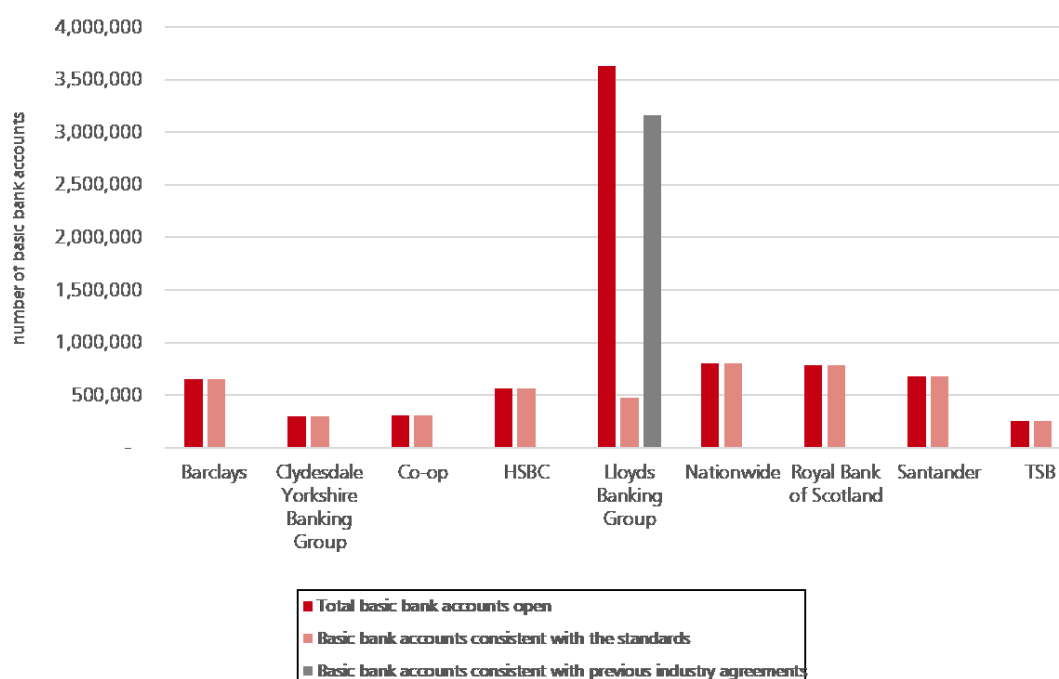


- a basic bank account is considered open even if no transactions on the account have taken place
- a basic bank account is considered open if a decision has been taken to close the account, but the account has not yet been closed

## All basic bank accounts

- 2.3 At 30 June 2017, a total of 7,958,930 basic bank accounts were open at designated institutions. This included basic bank accounts that were consistent with the standards as well as other basic bank accounts that were consistent with previous industry agreements.
- 2.4 Institutions party to the 2014 agreement were required to offer basic bank accounts that were consistent with that agreement from January 2016. Although firms were able to migrate customers from their old basic bank account to a basic bank account that was consistent with the 2014 agreement, either before or after that date, they were not compelled to do so.
- 2.5 Institutions designated by the Treasury under the PARs were required to offer basic bank accounts that complied with the regulations from 18 September 2016.
- 2.6 Figure 2 shows the total number of basic bank accounts, broken down by designated institution.

Figure 2: Total number of basic bank accounts on 30 June 2017



- customers with a basic bank account opened before January 2016 should ask their bank or building society whether they could still be charged if a payment fails, and whether they may be eligible for a basic bank account that does not charge these fees

## Upgrading

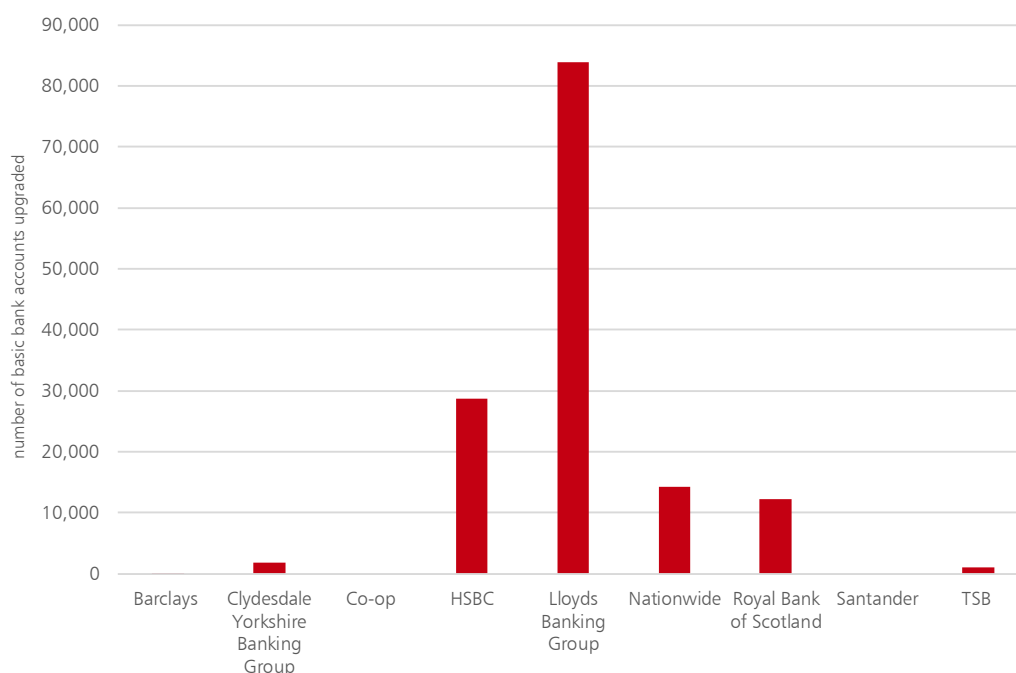
2.7 Designated institutions may review their portfolio of basic bank accounts periodically and upgrade customers on to a more appropriate PCA, taking account of:

- the eligibility criteria for basic bank accounts
- customers' financial circumstances
- the pattern of usage on the account

2.8 Institutions will give the customer at least two months written notice, explaining why they intend to upgrade the account. Institutions should also have regard to the requirement to treat their customers fairly.

2.9 Figure 3 shows the total number of basic bank accounts that have been upgraded to another PCA in the reporting period by each designated institution.

**Figure 3: Basic bank accounts upgraded to PCA in the reporting period**

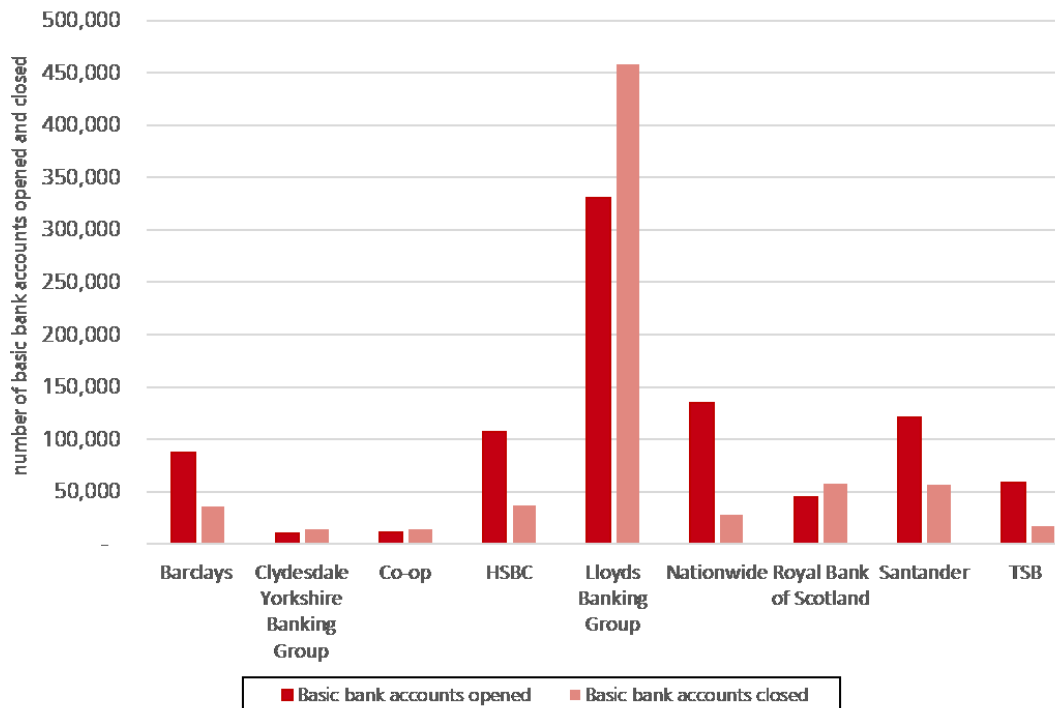


- the figures include basic bank accounts that have been upgraded at the customer's request, as well as those upgraded in line with the process set out in the 2014 agreement
- the figures do not include the number of basic bank accounts for which written notice has been given to the account holder(s) that they will be upgraded, but have not actually been upgraded by the period end
- where figures for upgrades are <1000 they do not appear due to scale of graph

## Opening and closing

- 2.10 Figure 4 shows the number of basic bank accounts that have been opened and closed during the reporting period.
- 2.11 All basic bank accounts opened by /designated institutions in this period should be consistent with the standards.
- 2.12 A basic bank account opened under the PARs may only be closed in limited circumstances, for example, if a consumer has knowingly used, or attempted to use, the account for illegal purposes, or if there has been no transaction on the account for more than 24 months.

Figure 4: Basic bank accounts opened and closed in the reporting period



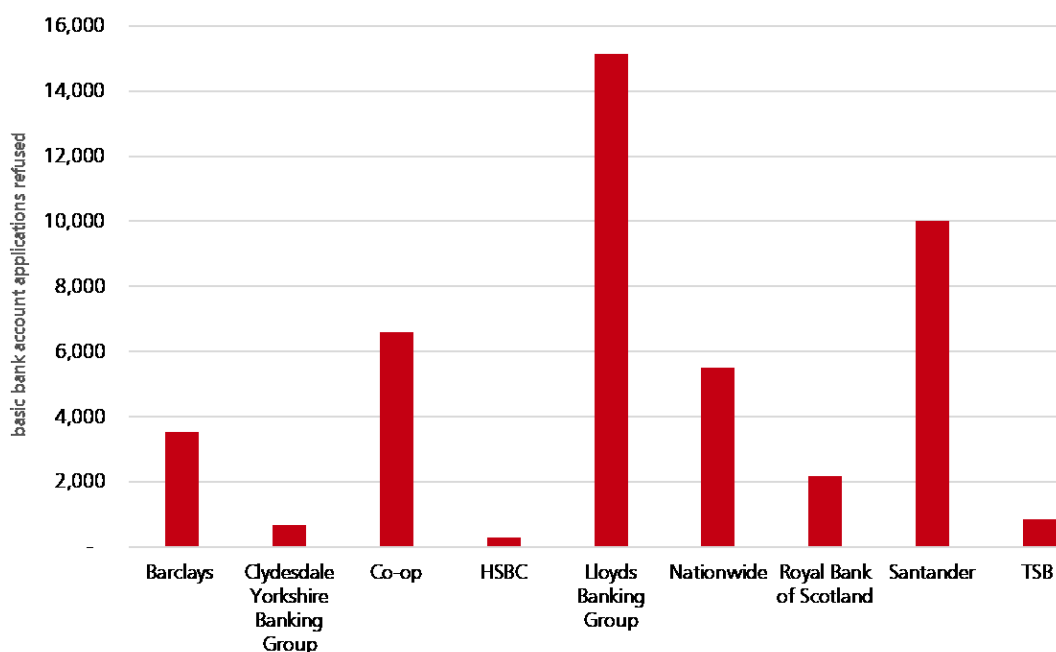
- the figures include basic bank accounts closed at the customer's request, as well as those closed in line with the processes set out in the standards

## Refusals

2.13 Under the PARs, designated institutions must refuse to open a basic bank account for a consumer where it would be unlawful for it to do so, including, for example, where to open an account would be contrary to the Fraud Act 2006 or contrary to the Money Laundering Regulations.<sup>1</sup>

2.14 The figures below include cases where an application could not be accepted due to the customer not meeting a participating institution's ID requirements (where these took place after a full application has been made) or fraud checks.

Figure 5: Basic bank account applications refused



- this data includes partially completed applications that are considered and subsequently refused
- the data does not include partially completed applications that are not considered
- the data does not include applications that are still under consideration or 'pending'
- the PARs require that where an application is refused, the participating institution must without delay inform the customer in writing and free of charge of the reason for the refusal if it may lawfully do so. In those circumstances the credit institution must also tell the customer how to complain to the credit institution and the Financial Ombudsman Service, and provide the relevant contact details

<sup>1</sup> Further reasons why an institution would have to refuse to open a basic bank account are listed at Regulation 25 of the PARs.

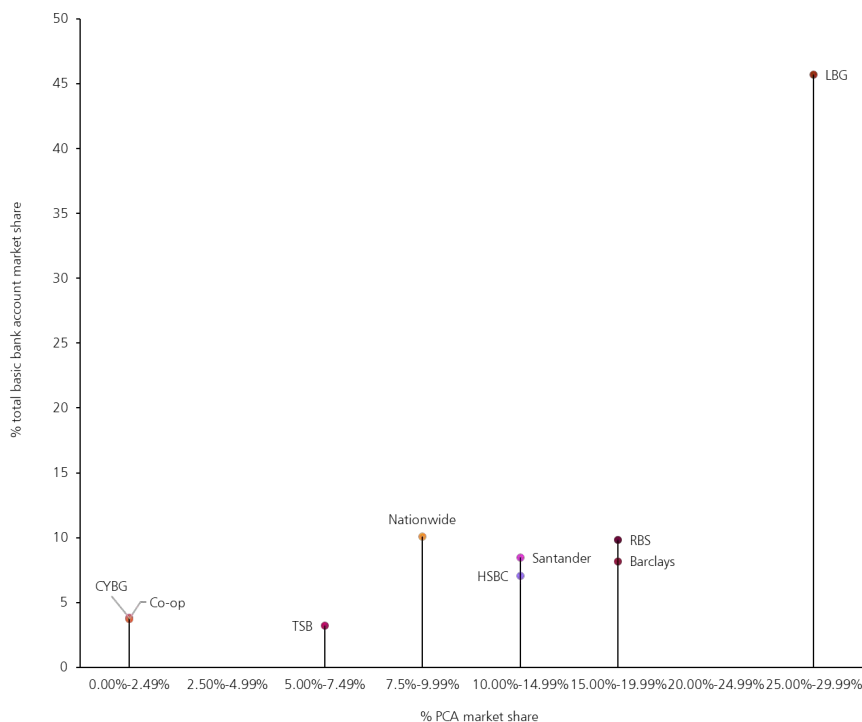
# Chapter 3

## Market distribution

### Market shares

- 3.1 Figure 6 uses data reported by designated institutions on their total numbers of basic bank accounts (as set out in Figure 2) and PCAs to calculate market shares and compare them.
- 3.2 Market share in figures 6 and 7 refers to the share of the market held by the 9 designated institutions only. The market shares have not been calculated based on the entire UK market.
- 3.3 Designated institutions are not required to reach or exceed any particular number of basic bank accounts. There is no upper or lower limit on the number of basic bank accounts a designated institution can open or hold.

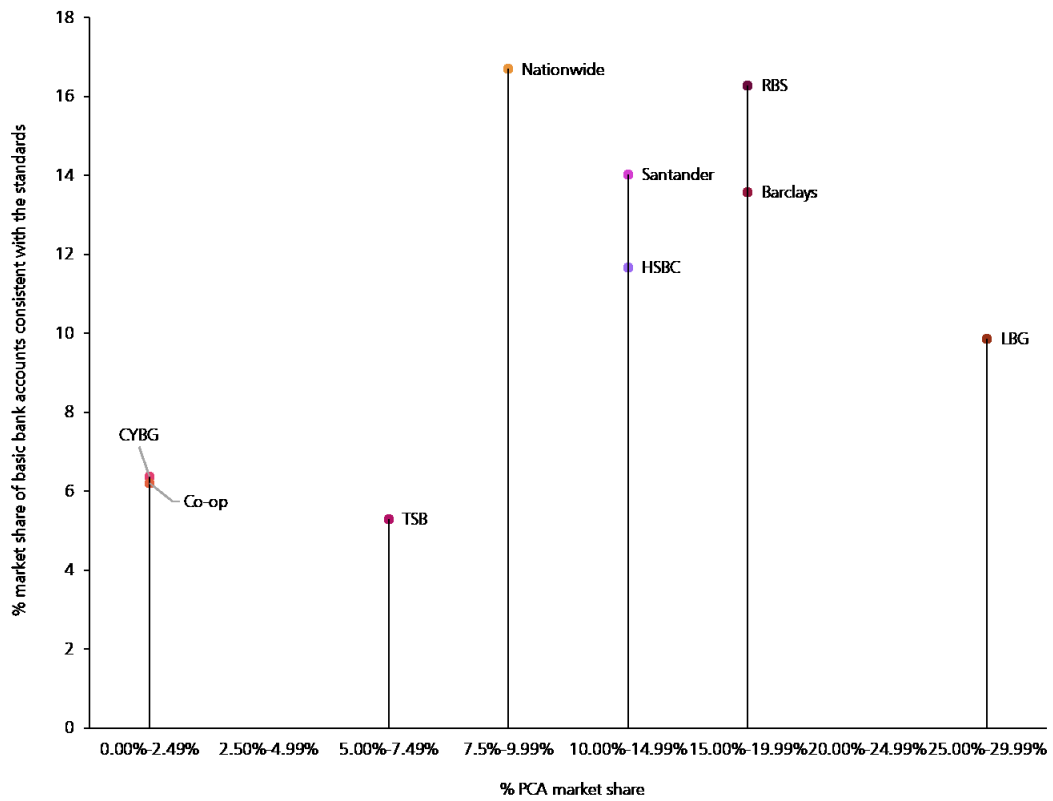
Figure 6: Comparing total basic bank account market share and PCA market share



- PCA market share is only reported as a range as it is considered commercially confidential by a number of the designated institutions

3.4 Figure 7 uses data reported by designated institutions on their total numbers of basic bank accounts that are consistent with the standards (as set out in Figure 1).

**Figure 7: Comparing market share of basic bank accounts consistent with the standards and PCA market share**



- PCA market share is only reported as a range as it is considered commercially confidential by a number of the designated institutions

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