

CEO
Northern Bank Limited

From: Adam Land
Senior Director, Remedies, Business
and Financial Analysis

30 March 2021

Danske Bank (a trading name of Northern Bank Limited) has breached the [Small and Medium-sized Enterprise \(SME\) Banking Behavioural Undertakings 2002](#) in relation to loans offered under the [Bounce Back Loan Scheme](#)

I am writing to you on behalf of the Competition & Markets Authority concerning a breach of the Undertakings by Danske Bank which has affected 305 SME customers.

The breach

In 2002, Danske Bank [undertook](#) not to require, agree or threaten to require that customers open or maintain a business current account with it as a condition of receiving, servicing or maintaining a loan; a process known as 'bundling'.

The UK Government launched the [Bounce Back Loan Scheme](#) on 4 May 2020 to enable smaller businesses to access finance more quickly during the Coronavirus (Covid-19) pandemic. Danske Bank started to provide loans under this scheme on 4 May 2020.

The CMA engaged with Danske Bank shortly after the scheme was introduced and, at that time, Danske Bank informed the CMA that it believed its approach to offering Bounce Back Loans was compliant with the undertakings including in relation to customers who were operating their business finances through a personal current account. Following further investigation by the CMA, Danske Bank highlighted that it had required 268 SMEs (which were operating their business finances through a personal current account with Danske Bank) to open a business current account before Danske Bank would consider a re-submitted Bounce Back Loan application and a further 37 customers who opened a business current account but have not yet

re-applied for a Bounce Back loan. The CMA was informed that, in Danske Bank's view, this was the most robust way to promptly meet the demand for support from these SMEs while simultaneously meeting its 'know your business' legal obligations and the fraud checking requirements of the scheme.

The CMA's concerns

The undertakings prohibit the bundling of loans and business current accounts. This is to prevent banks with market power from restricting customer choice and, therefore, competition in the market. The undertakings aim to preserve choice for small businesses with regard to which banking services they use, allowing them to select their preferred business account provider independently of any lending relationships.

The CMA has been keen to ensure that SMEs remain able to take out loans under the scheme in accordance with the undertakings. However, Danske Bank required some SMEs to open a business current account with it before Danske Bank would consider a re-submitted Bounce Back Loan application. Where customers who had been informed of this requirement proceeded to open a Danske Bank business current account in order to make an application, this resulted in a breach of the undertakings.

Danske Bank's actions have resulted in 305 SMEs opening business current accounts with it which they may not have wanted or needed in order to obtain finance during a critical time. Additionally, Danske Bank has been applying charges and fees to the business current accounts held by these impacted small businesses. This breach is likely to have inflicted financial harm on these customers.

The bank's actions to end the breach

Danske Bank agreed to end the breach and mitigate its impact on customers by taking the following actions:

- On 26 March 2021, Danske Bank wrote to the affected customers to apologise for requiring them to open a business current account as part of the Bounce Back Loan application process and informed these customers that they would be refunded for the business current account charges incurred as a result.
- Danske Bank has refunded all current account fees and charges incurred by the 305 impacted customers from the date of opening their Danske Bank business current account (plus 8% interest as compensation).
- Danske Bank offered each of these customers the option to switch from a business current account to a fee-free loan servicing account in order to service their Bounce Back Loan going forward.
- Danske Bank will be offering impacted customers a 60 days fee-free period from the date of the apology letter. Danske Bank will send a further reminder to these customers seven days before the end of the fee-free period.

- On 16 February 2021, Danske Bank introduced a choice of a fee-free loan servicing account option to new loan applicants. This action brings the breach to an end as customers now have a choice between a Danske Bank business current account and fee-free loan servicing account when applying for a Bounce Back Loan.
- Danske Bank has updated its website with key customer messaging on the changes.

These actions are included with relevant timings in Danske Bank's Action Plan published alongside this letter. Danske Bank will confirm to the CMA when each item in its Action Plan has been completed.

The breach, and Danske Bank's remedial actions, apply only to loans provided under the scheme and not to other existing or future SME lending by Danske Bank.

In assessing the circumstances of this breach, the CMA has been mindful of the challenging circumstances related to the Coronavirus (Covid-19) pandemic in which this breach occurred and the vital support these loans have provided to smaller businesses in the UK.

Next Steps

Given the positive engagement with Danske Bank and the nature and scale of the actions it has proposed and taken, the CMA does not consider it necessary to take formal enforcement action at this time. However, the CMA will monitor this issue closely and reserves the right to take formal enforcement action should Danske Bank fail to adhere to its Action Plan.

Yours sincerely

Adam Land
Senior Director
Remedies, Business and Financial Analysis