

Copy of letter sent to all banks which gave undertakings: Bank of Ireland, Barclays Bank Plc, Clydesdale Bank, Danske Bank (Northern Bank), AIB Group (First Trust Bank), HSBC Bank Plc, Lloyds Banking Group Plc, Royal Bank of Scotland Group Plc.

Direct line (020) 7211 5828 Date 5 December 2013
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Compliance with behavioural undertakings given in relation to the supply of banking services to small and medium-sized enterprises

As you are aware, our ongoing market study on banking services for small and medium sized enterprises ('SMEs') also includes an ongoing review of the continued appropriateness of the 'behavioural undertakings' ('the Undertakings') given by a number of clearing banks.¹

As you will be aware, Clause 17 of the Undertakings imposes an obligation that each of the banks subject to the Undertakings must not require an SME to open or maintain a business current account ('BCA') with that bank as a condition for the granting of a business loan² to that SME.³ As part of the information acquired during the SME banking market study to date, the OFT has received evidence of instances suggesting that certain banks may appear to have required an SME to take out a BCA in order to take out a loan product. As you will be aware behaviour which is found to be contrary to clause 17 could contravene the undertakings. Any non-compliance with an Undertaking is a serious matter, which could result in a compliance direction to a bank or ultimately enforcement action being taken by the OFT.

¹ Available at: www.oft.gov.uk/shared_oft/monopolies/smebankingbehaviouralundertaking

² Or a business deposit account.

³ This is subject to the exemptions provided for under Clause 18 of the Undertakings.



I am writing to you today to request that **[the Bank]** reviews its systems and procedures for ensuring compliance with this clause of the Undertakings. Moreover, pursuant to Clause 27 of the Undertakings, the OFT requests that **[the Bank]** provide us with the following information by **5:00pm on 19 December 2013** in order to assist us to monitor compliance with the undertakings:

- A description of the systems and procedures that **[the Bank]** has in place to monitor and ensure compliance with Clause 17 of the Undertakings.
- A copy of any specific training materials pertaining to Clause 17 of the Undertakings as provided to staff who may be in contact with SME customers.

For the avoidance of doubt, receipt of this letter does not indicate that the OFT has concluded at this stage that [the Bank], or any of the other banks which are signatories to the Undertakings, are not currently complying or have not complied with the Undertakings. However, the OFT considers it necessary to raise this issue with **[the Bank]** at this stage and request this information in order to fully assess overall levels of compliance with these obligations.

As previously discussed with you, in order to undertake this assessment, the OFT will also publish a short statement on its webpage regarding the current market study to invite comments from any interested parties on compliance with this aspect of the Undertakings (as well as bundling or tying of financial products more generally). It will also publish an anonymised copy of this letter on that webpage.

I should be very happy to discuss any of the above if that would be of assistance.

Yours sincerely



Dan Moore
Project Director