

## Consumer 4

Good morning

I am writing in my capacity as a retail customer, as a director of a small business and treasurer of my local church bank account. In each capacity I have switched bank account with varying degrees of success.

I believe that the key issue in the banking sector is that the move to electronic payments from cash and cheques moved the model from one which was controlled by the individual (cheques are addressed to a person or institution) to one controlled by the bank which owns the sort code and account number. This created significant barriers to entry as it required a new address (or bank account number) each time you choose to change supplier.

Switching initiatives have significantly improved the process, putting the onus on the new supplier to provide support to change to the new bank, but there is still a worrying cross over period where expenses may transfer ahead of income (which I had happen resulting in overdraft fees albeit which I was able to cancel). There is also work to do in providing information to the new bank on what should be transferred.

The telephone market is a good example of how barriers can be broken down. When changing supplier it is now possible to take your telephone number with you which means no more calling and getting an automated message that the number has changed.

This model could and in my view should be applied to the banking market. If the individual or business owned the bank account address rather than the bank, then switching would be simply be a matter of assigning the bank account number to a new bank and from a business perspective there would be no requirement for customers to update their settlement instructions, saving a lot of work for everyone.

A sort code lookup is already used to route payments, so the technology already exists. The next stage is that lookup becomes more powerful so it can find any individual account number and match it to a bank. While this sounds daunting, in reality we know that most of the accounts in the UK sit with 4 banks, so if HSBC and Barclays can map 40 or 50% of the accounts within the UK in their systems it should be possible to map all accounts to the right place.

This would have a number of benefits:

1. No more effort contacting customers and suppliers (even if much of this is done by the banks for individuals and small businesses)
2. No more need to update settlement details for customers and suppliers, this is time consuming and increases the risk of fraud and error (scams where fake letters are sent out pretending to be from companies saying that they have changed bank details would die immediately)
3. A bank can then be selected purely on the basis of cost, branches and IT infrastructure rather than being affected by concerns about the mechanics of switching

I know from my professional life that the banks are petrified of their barriers to entry around cash management being brought down and there is no chance of an initiative like this being successful unless it is brought about by regulation.