

RETAIL BANKING MARKET INVESTIGATION

Search and switching econometric model: Invitation to comment on credit rating agency data request

1. On 22 December 2014, the CMA published a [notice of intention](#) to conduct a survey of customers of personal current accounts. The survey has now been completed and around 4,500 UK bank customers participated.
2. On 10 March 2015 we published a [methodology paper](#) describing the econometric analysis we are proposing to carry out to study the factors that drive customers' decisions to search for and switch to a different personal current account. The proposed approach involved combining data from the survey with anonymised data on customers' account usage at their current bank. This would enable us to look, for example, at whether there is a relationship between customers' transactions history and their interest in switching banks. We invited comments on our proposed methodology. The responses we received were mainly positive but some methodological issues were raised.
3. A potential limitation of our approach highlighted by some respondents was the CMA's reliance on anonymised account usage data from each survey participant's current bank rather than from their previous bank in cases where people have switched provider. The aim of the proposed modelling is to understand the factors affecting the decision to switch, including how account usage might affect the likelihood of switching. This modelling would be more robust if it were based on customers' behaviour before switching, rather than on their account behaviour after switching. As set out in the original methodology note, the CMA considers that inferences could still be drawn on the basis of current account behaviour, but agrees with respondents that having more information on prior behaviour would be likely to improve the model.
4. In order to address this possible gap in our analysis, the CMA is proposing to use its powers under section 174 of the Enterprise Act 2002 to obtain historic

anonymous banking records from a credit reference agency^[1] (CRA). The CRA data would provide anonymous information on customer account usage both before and after switching that could be added to our existing data. The CMA will then combine the survey data together with the CRA data in order to look more deeply at the relationship between past transactions and customers' interest in switching.

5. A list identifying customers who agreed to participate in the CMA's survey will be provided to the CRA. The CRA will then provide the records it already holds for those customers to the CMA, securely and in anonymous format. The CMA has in place secure and well-tested systems for transferring and storing sensitive data.
6. The CMA does not hold the names or contact details of the respondents to the survey, so it will not be possible to identify a respondent from his or her banking records, which will be anonymised.
7. We would emphasise that the data collected from the CRA will not be used for any purpose other than the CMA's retail banking inquiry and will not be made available to anyone else for any other purpose.
8. We now welcome comments on the proposal to ask a CRA to submit the data as outlined.

The deadline for comments is midday Thursday 30 April 2015. Please submit comments by email to retailbanking@cma.gsi.gov.uk or write to the team at:

**Retail banking team
Competition and Markets Authority
Victoria House
Southampton Row
London
WC1B 4AD**

^[1] CRAs give lenders a range of information about potential borrowers, which lenders use to make decisions about whether they will offer credit or not. CRAs hold certain information about most adults in the UK. See the [Information Commissioner's Office website](#).