PERSONAL CURRENT ACCOUNT INVESTIGATION

A report for the Competition and Markets Authority by GfK NOP.

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1 Executive Summary

Background

1. The Competition and Markets Authority (CMA) has been investigating the personal current account sector within the banking market. As part of the inquiry the CMA commissioned GfK NOP to undertake a research exercise to help understand how consumers view and use their personal current accounts.

2. The survey was designed to be representative of all personal current account holders. Complete customer records were provided by the parties, and from these a sample was drawn, with oversampling of smaller banks, devolved administrations and those who had opened an account in the last 12 month. Advance emails/letters were sent out to sampled customers

3. A questionnaire was developed in consultation between GfK and the CMA, and this was tested in cognitive interviewing and a pilot survey before a final questionnaire was agreed. Telephone interviews, averaging 20 minutes each, were conducted with 4,449 customers. Data were weighted to correct for differential probabilities of selection, and to mitigate for differential non-response.

Findings

Engagement/Switching

4. Over half of customers have been with their bank for more than 10 years, and 37% have been with their bank for over 20 years, so this is clearly a very stable market.

5. Two in three have not looked around or switched in last three years (65%) and four in five have not looked around or switched in the last year (79%).

6. Only 3% have switched bank in the last year, while a further 2% switched their main PCA within the same bank. There is no sign of speeding up in the past year, for the levels of each type of switching are about three times greater over the last three years than over the last one: 8% have switched bank in the last three years and 6% have switched account within the same bank.

7. More people are looking around than are actually switching. In the last year 16% looked around without switching, and in the last three years 21% did so.

8. Engagement is lower among less advantaged groups. While 79% of the total sample had not switched or looked around in the last year, this figure was significantly higher among the low income group (84%), those with no qualifications (88%) and those with no internet access (88%).

9. Engagement was also much lower among those who were most often overdrawn – 85% of those overdrawn for 9 months or more of the year had not switched or looked around – and the qualitative research suggests this is at least partly because those most overdrawn felt that they would be unable to change banks as other banks were unwilling to take them on.

Barriers to engagement

10. There is some evidence that lack of engagement is also a reflection of the perceived "hassle of switching". Of those who have not switched or looked around in the last three years 20% gave this as one of the reasons for not having done so, and a quarter of those who had looked around without switching gave this as a reason for not going ahead and switching.

11. However, the actual experience of the process among those who have switched is much more positive than the expectation. Of those who switched in the past year 59% said they had expected the process to be easy, but 83% said they found it easy in practice.

12. One key point from the qualitative research is that for many consumers PCA services are seen as “free” (particularly if you don’t use an overdraft). Therefore the incentive to look around is further reduced – why shop around for something that is free? – but there is a small segment of the market who will be tempted by better deals.

The banking relationship

13. The great majority of customers are satisfied with their current PCA provider. Half were very satisfied (52%) and a further 39% were fairly satisfied, with only 4% at all dissatisfied.

14. 93% of customers are very or fairly satisfied with the quality of staff and customer service, which was rated the most important element of a PCA, and 91% with internet banking, which came third in the importance ratings. Not far behind are the 86% satisfied with problem handling (the second most important feature), the 85% satisfied with the convenience of branches and the 81% satisfied with apps on smartphones or tablets.(All of these figures exclude those who don’t have or don’t use each feature),

15. The three features that customers are least satisfied with are either features that many people do not have, such as incentives (54%) or credit interest (43%) or do not pay, such as charges. (50%).

16. Customers trust their own bank, much more so than other banks (or energy companies[1]). Half “strongly trust” their own bank to treat people in a fair and honest way, and a further 37% tend to trust them. This is in marked contrast to the 15% who strongly trust other banks, and mere 6% who strongly trust energy companies.

17. The qualitative research suggests that this may be because customer needs and demands from a current account are not complex – the key thing for many is that standard PCA transactions are executed correctly, and that mistakes are rectified quickly when things go wrong.

18. This high level of satisfaction is a major reason for not switching – nearly two-thirds of those who had not looked around or switched in the last 3 years gave satisfaction with their current provider as the reason.

Overdrafts

19. Few people use overdrafts; almost three in ten have been overdrawn in the past year (29%) and most of those who went overdrawn did so for very short periods: the median number of months overdrawn in a year was two. For all those overdrawn the median monthly average amount overdrawn was £75.

20. However, there is a small minority who are heavy overdraft users (c.5% for nine months a year or more), and the qualitative research makes it clear that some of these are deterred from switching because they feel they are unable to leave their current provider due to the overdraft facility they have.

[1] Energy companies were included as a comparator partly because it is another market with a low level of switching, and partly because the recent CMA survey on the energy market provided robust comparison evidence

Multi-banking

21. Just under half of PCA customers (48%) hold more than one PCA, and 30% hold PCAs with more than one bank, though only 22% actually **use** a PCA with more than one bank. Those who have several other financial products as well as a PCA are more likely to use PCAs with more than one bank – among those with four or more additional financial products 41% use PCAs with more than one bank.

22. Over four in five hold other financial products as well as a PCA (82%), and almost all of these people have some or all of these products with a different bank from their PCA – only 12% hold all of their other products with the same bank as their PCA

23. The most common reasons for using PCAs across different banks are to get better rates or deals (26%), and a desire to have different accounts for different purposes (16%).

Branches and other bank features

24. The two most important features of a bank account were "quality of staff and customer service", which 83% said was essential or very important, and "quality and speed of handling problems" (82%). "Convenience of location and opening times of branches", with 60% was effectively third equal with internet banking (62%)

25. Usage of, and importance of, branches varies greatly between customers – 17% use a branch less than once a year, and a further 25% use a branch only once or twice a year, but 9% use a branch once a week or more.

26. Just under half (44%) of those who have visited a branch in the last year would not change PCA provider if their most used branch is closed down. However, 85% of branch users have done so to pay in cash or cheques. Clearly it is not possible to pay in cash over the Internet

27. Two in three consumers use internet banking (66%), and most are frequent users (at least once a week). Internet banking is much more predominant among younger customers (84%).

2 Background and Research Objectives

28. On 6 November 2014 the Competition and Markets Authority (CMA), having carried out an initial market study into the retail banking market[2], referred this market for an investigation under the Enterprise Act 2002, to assess whether there are any features of this market which prevent, restrict or distort competition and, if so, what action might be taken to remedy them.

29. This research aims to understand the personal current accounts (PCA) market from a consumer perspective, filling gaps in existing research:

- Bank relationships – accounts a customer has held in their lifetime, and currently holds, banking needs e.g. branch versus online, active or passive use of overdrafts, direct debits, links between PCA and credit cards, multi-banking and additional banking products
- Attitudes to banks - overall brands, branches, contact points (e.g. online), image of large and smaller networks
- Awareness and transparency of banking fees – authorised and unauthorised overdraft, application procedures, use, understanding of fee structure and payment procedures, interest foregone, use of alternative lending products, attitude towards free-if-in-credit model
- Search behaviour – triggers to start searching for better PCA deals, search tools, costs, criteria and barriers, ease and frequency of search
- Exploring alternative banks for a PCA - ever considered, triggers for change, reasons why or why not changed, what would motivate change, considerations, requirements
- Satisfaction overall, and with service elements that make up quality
- Switching behaviour – triggers to switch, barriers to switching, switching costs, saving from switching, difficulty and ease of switching, expected versus actual savings from switching

30. The Competition and Markets Authority commissioned this joint quantitative and qualitative research programme to provide consumer-based evidence for its Market Investigation.

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2 "retail banking services" means (in respect of personal current account customers), provision of an account marketed to individuals rather than businesses, which provides the facility to hold deposits, to receive and make payments by cheque and/or debit card, to use ATM facilities and to make regular payments by direct debit and/or standing order.

3 Research Design

3.1 Quantitative Survey

Sampling

31. The aim of the research was to represent all PCA holders in the UK. To ensure as wide a coverage as practicable, all major banks in the UK were asked to supply their full PCA customer lists to GfK for sampling purposes, as were a selection of prominent minor suppliers.

32. To allow for cases with invalid or out of date contact details and anticipated levels of response, a total sample of 120,000 was drawn to achieve a target of 5,000 completed interviews. The banks supplied contact data for all the sampled cases, plus account information for analysis purposes.

33. Full details of the sample design can be found in the Technical Report.

Questionnaire development

34. The first draft of the questionnaire was produced by GfK after a meeting with CMA, discussing the main aims of the survey and the amount of information that could be collected within the 20 minute telephone survey.

35. The initial draft was refined over several iterations, and was then tested in a cognitive pilot stage before proceeding to a full-scale pilot study of 38 interviews.

36. Following the pilot, discussions were held between CMA and GfK to resolve any remaining problems that emerged during the pilot interviewing, and a further series of amendments were made to the questionnaire to produce the version for use in main fieldwork (included as Appendix B of the Technical Report).

Fieldwork

37. Interviewing began on 12 February and continued until 27 March 2015. All interviewers were briefed before starting work.

38. All sample members were sent an advance communication, either an email or letter on CMA letterhead (included as Appendix C of the Technical Report), before being called.

39. In the end a total of 110,901 cases were loaded into the GfK sample management system (SMS), and a total of 4,549 interviews were conducted. We fell short of our target number of interviews mainly due to the high number of no replies and voicemails.

40. These 4,549 interviews represent a response rate of 6%, once non-valid numbers and ineligible cases are excluded.

Analysis

41. A number of questions had an "other answer" category where interviewers could type any response that they could not fit into the precode answers to the question. These "other answers" were coded after fieldwork by either selecting one of the exiting answer options or, if there were enough mentions, creating a new code.

42. Open ended questions which required unprompted answers were coded by GfK's coding team. A codeframe was produced by the team which was sent to the CMA for approval,

43. Weights were applied to correct for differential probabilities of selection, to correct for the oversampling of particular sub-groups of interest. Demographic weighting was not applied as the sample profile was very similar to the general population, and the distribution of the interviewed sample by bank closely matched the issued sample.

44. A specification for the computer tables, involving cross-analysis of survey response against other survey responses and additional data supplied by the banks about the respondents' account, was agreed between CMA and GfK NOP.

45. Once the tables had been checked a respondent level data file was produced for the CMA which will enable the CMA to do further analysis

46. It should be noted that all the findings in this report reflect respondents' perception, i.e. claimed behaviour and attitudes"

Definitions

47. Within the report we have used a number of terms which require definitions. These are listed below:

- Major or large bank: England and Wales = Barclays, HSBC, Lloyds, Nat West; Scotland = Bank of Scotland, Clydesdale, Royal Bank of Scotland and Northern Ireland = Bank of Ireland, Danske Bank, First Trust Bank, Ulster Bank. For the purpose of this research, banks not falling into the above categories were specified as small banks. In each case sub-brands were included within the parent bank.

- Income: high income = £24,000 or more, medium income = £12,000 to £23,999 and low income = less than £12,000

- Frequency of use (covers branch, telephone, internet and apps): High = once a week or more, medium = 2-3 times a week to 2-3 times a month, low = once or twice a year or less

- PCA refers to personal current accounts

Statistical reporting conventions

48. In this report the following statistical conventions are followed:

- Sample sizes shown are the unweighted base sizes
- The data referred to in the report and shown in the charts is weighted
- Differences between sub-groups are only discussed if statistically significant at the 95% confidence level
- Bases refer to all answering the question
- Charts do not necessarily show all answer options/answers given. In some instances NET scores have been included on their own, whilst on other charts the main precode responses related to the NETs have been shown.

3.2 Qualitative survey

Sampling

49. The qualitative stage of the project was intended to amplify the quantitative findings, and in particular to get in-depth opinions from groups of particular interest. It was thus not designed to represent the whole population of PCA holders in the way that the quantitative stage was, but instead to concentrate on a small number of key demographic and behavioural groups.

50. The key sampling criteria for the qualitative research can be found in figure A below.

Figure A: Qualitative sample

Locations	Type of current account	Multiple current accounts	Overdraft users	High value current account balances	Extremely dissatisfied
20 x England (London, Harrow, Stansted, Sutton Coldfield, Leeds)	- 33 x free if in credit - 5 x fee paying - 5 x Basic	- 17 x two or more current accounts - 26 x one current account	- 14 x used overdraft in the last three months	- 9 x high value current account balances	- 5 x extremely dissatisfied
6 x Wales					
6 x Scotland					
11 x N. Ireland					

51. In addition to this criteria the respondent selection ensured that as many different types of PCA holders were covered by including the following in the sample profile:

- good spread of banks;
- good mix of banking channels;
- one location to have had two or more branch closures;
- good range of other financial products;
- spread of age, gender, SEG.

Discussion guide and fieldwork

52. The first draft of the discussion guide was produced by GfK after a meeting with CMA, discussing the main aims of the research and the amount of information that could be collected within an hour long depth interview. The initial draft was refined over several iterations.

53. 43 one hour face-to-face interviews were conducted between 9 and 23 March, 2015.

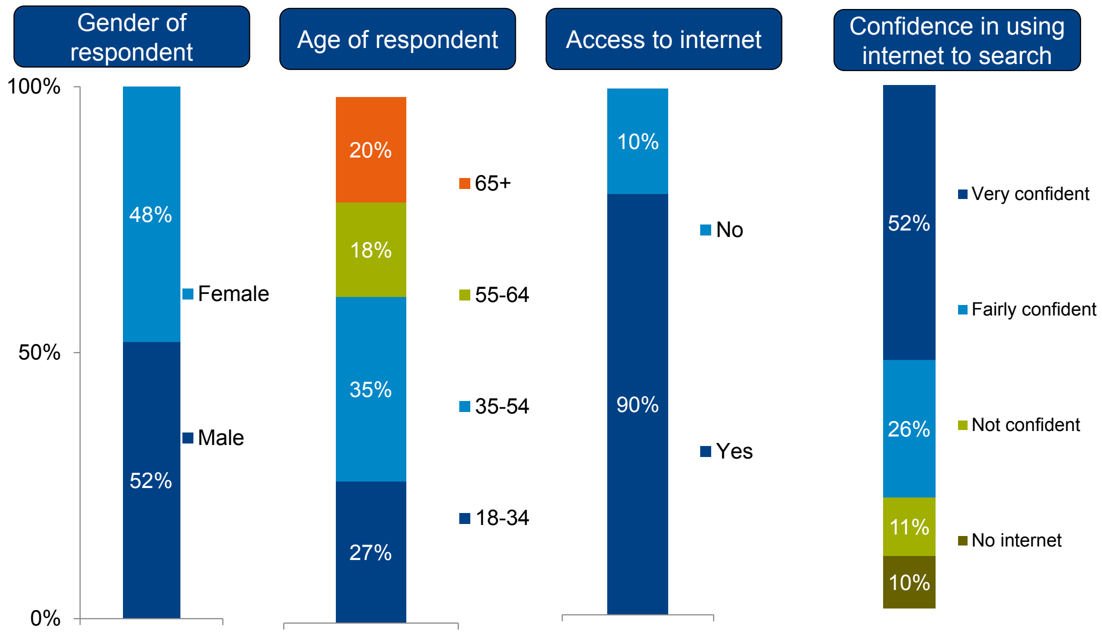
4 Survey Findings

4.1 Customer profile

54. This section of the report describes the customer profile of those interviewed in the quantitative survey. The profile of PCA holders is, as would be expected, very similar to the overall profile of the general population. Overall around a half (52%) of PCA holders were male and nearly two thirds (62%) were under the age of 55 years.

55. The great majority (90%) of PCA holders had access to the internet either by computer, a mobile phone, tablet or other internet connected device and more than four fifths (78%) were confident in using the internet to search for information.

Figure 1: Customer profile (1)



Base: All (4,549)
K3b Record gender of respondent K3a What is your age? K2 Do you have access to the internet at home, work, or via a mobile phone? K3 How confident are you about using the internet to search for information about suppliers of different products or services in general?

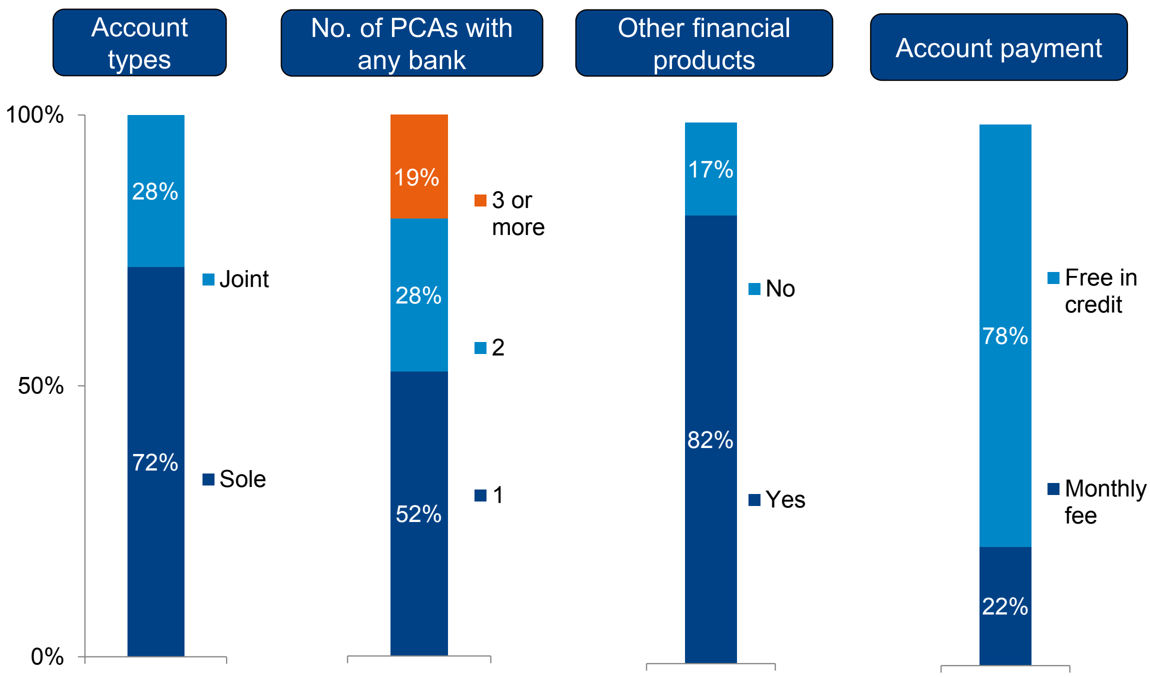
56. For nearly three quarters of respondents (72%) their main PCA was a sole account, whilst just over a quarter (28%) had a joint main PCA.

57. The number of PCAs held by an individual varied. A half (52%) of respondents had only one PCA (with any bank) but more than a quarter (28%) had two PCAs and a fifth (19%) had three or more PCAs with at least one bank.

58. More than four fifths (82%) had at least one other financial product (Personal loan, mortgages, ISAs or other cash savings, credit card) in addition to their PCA.

59. Three quarters (78%) of all PCA accounts were free of charge when they were in credit.

Figure 2: Customer profile (2)



Base: All (4,549)

A6 Is your main current account held in your name only or a joint account? A7 Do you have any other single/joint accounts with {bank} B4. How many UK current accounts do you have with other banks apart from {bank}? I1.1 We have talked about current accounts, but I would now like to ask about other financial products you may have - either with {bank} or another bank. Which of the following do you have with any provider?

PCA Survey

4.2 Consumer attitudes towards banking

60. Consumer views on banking provision were evaluated by asking respondents how much they agreed or disagreed with a number of statements using a 5-point “Agree strongly” to “Disagree strongly” scale. The vast majority (92%) said that they like to keep a close eye on money in their account. Over half (55%) agreed that switching their current account was too much hassle. So, for a sizeable majority whilst keeping an eye on their money is seen as important, they do not see a significant enough benefit in switching to justify the perceived effort required to switch. PCA holders who had shopped around but not switched in the last year were generally more pessimistic when compared to those who had switched. They were more likely to think that switching is a hassle (48% v 19%) and that things will go wrong if they switch (46% v 29%).

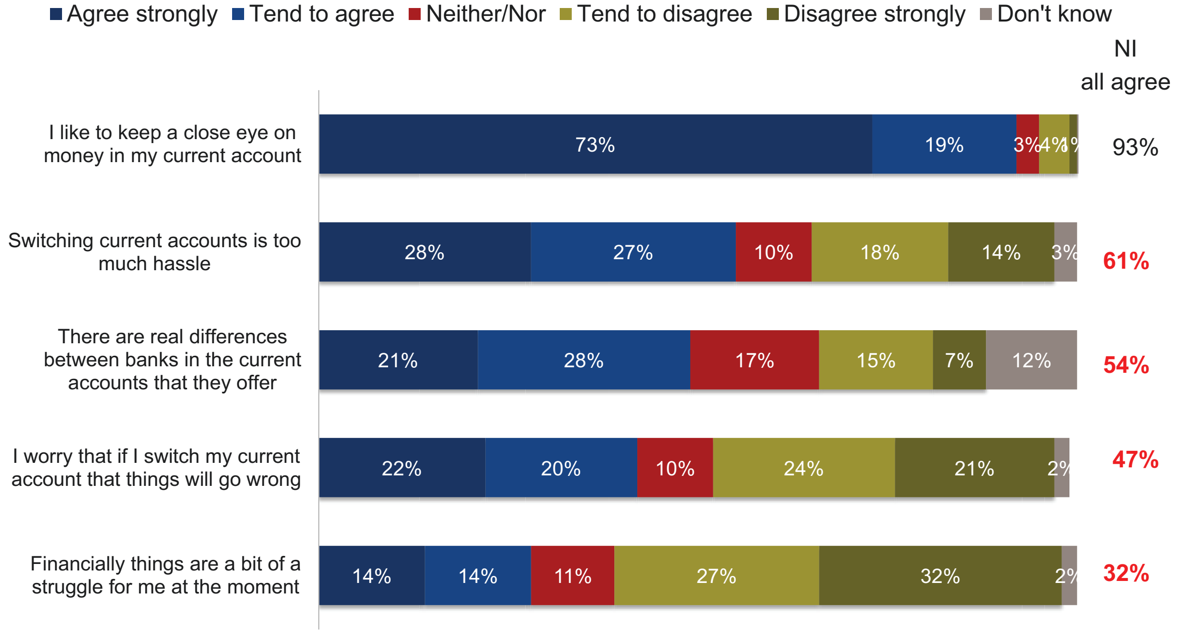
61. Nearly half (49%) agreed that there are real differences between banks in the current account that they offer and this increased to nearly three fifths (59%) of Santander customers.

62. More than two thirds (69%) of those who had switched banks in the last year agreed that there are real differences between banks. PCA holders who had shopped around but not switched in the last year (60%) and those who had done neither of these things (45%) were less likely to agree that there are real differences.

63. The report flags a number of differences between Northern Ireland and the rest of the UK in attitudes and behaviour within the banking market. Northern Ireland has not been focused on specifically, instead significant differences have been reported on. The attitudes and behaviours of customers in Scotland and Wales do not, on the whole, differ significantly from England.

64. In Northern Ireland a similar proportion to the national average agreed that they like to keep a close eye on their money in their account (92% national average v 93% Northern Ireland) but they were significantly more likely than average to think that switching their current account is too much hassle (55% national average v 61% Northern Ireland) and they worry that if they switch their account things will go wrong (42% national average v 47% Northern Ireland). However, they were more likely to agree that there are real differences between banks in the current accounts that they offer (49% national average v 54% Northern Ireland).

Figure 3: Views on banking



Base: All (4,549); Northern Ireland (702)

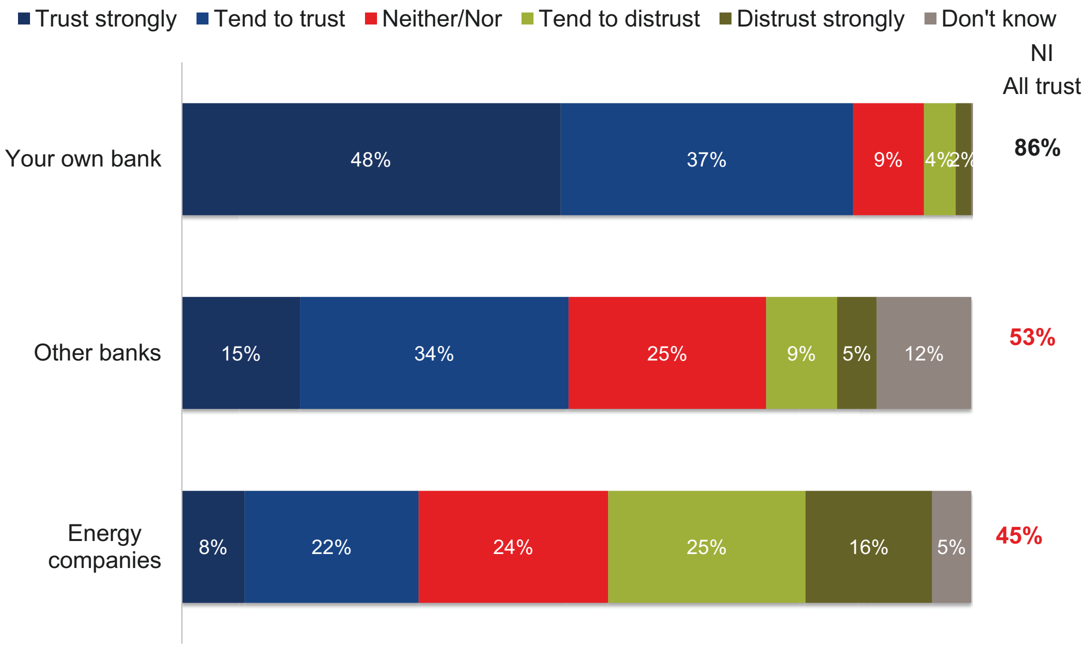
PCA Survey

H1. I am going to read out a number of statements, and I'd like you tell me how much you agree or disagree with each using the following scale?.

65. All respondents were asked to what extent they trusted or distrusted a number of service organisations to treat people in a fair and honest way, using a five-point "Trust strongly" to "Distrust strongly" scale. More than four fifths (85%) said they either trusted strongly or tended to trust their own bank, a much higher proportion than said the same about other banks (49%), although over one in three (37%) either did not know or were ambivalent about other banks perhaps reflecting a lack of knowledge. Those aged 65 years or over (90%) and those with no qualifications (90%) were more likely to say that they trusted their bank.

66. The chart below also shows the level of trust expressed by those resident in Northern Ireland (marked 'NI all trust'). In Northern Ireland the proportion who trusted other banks (53% v 49%) and energy companies (45% v 31%) was higher than the national average.

Figure 4: Level of trust in organisations to treat people in a fair and honest way



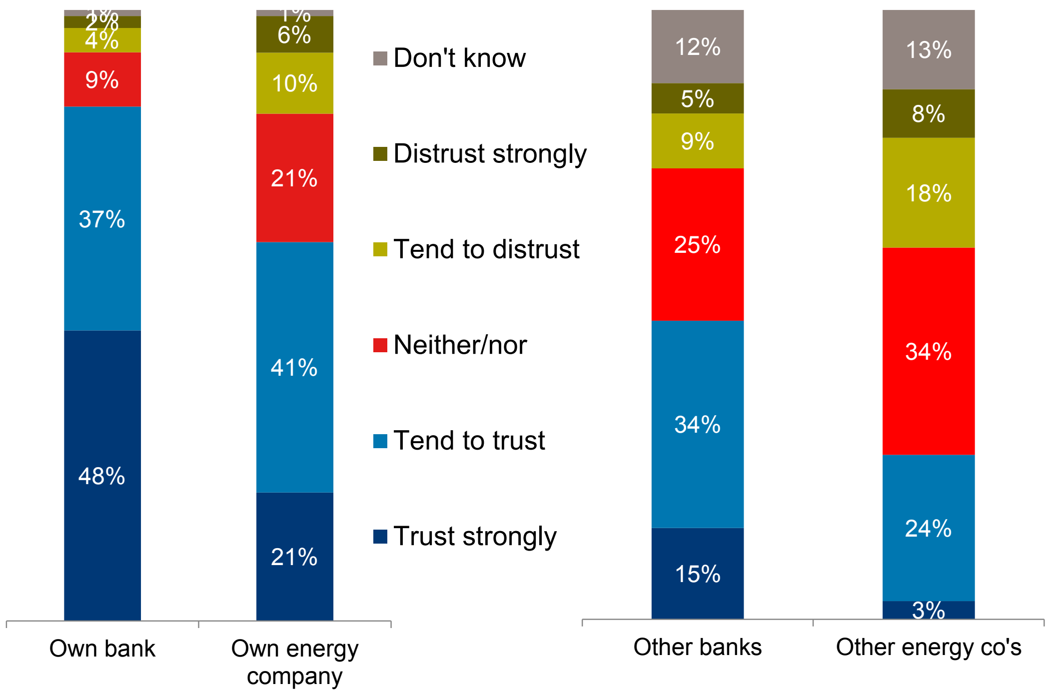
Base: All (4,549); Northern Ireland (702)

J2 To what extent do you trust or distrust the following types of organisation to treat you in a fair and honest way?.

PCA Survey

67. The chart below shows levels of trust compared with figures collected in the Energy Market Investigation survey carried out by GfK for CMA. The proportion who said they trusted their own bank (from the Banking Survey) was higher than the proportion who said they trusted their own energy company (from the Energy Survey). Similarly trust in other banks (from the Banking survey) was higher than trust in other Energy companies (from the Energy survey).

Figure 5: Level of trust – comparison with energy companies



PCA Survey

Bank ratings from banking survey, base: = 4,549. Energy company ratings from CMA energy survey, base = 6,999

J2 To what extent do you trust or distrust the following types of organisation to treat you in a fair and honest way?

4.3 The banking relationship

4.3.1 Qualitative Findings: Reasons for choosing a PCA

68. Many qualitative participants had chosen their first/only PCA based on three key factors: familiarity, assurance and convenience. They had opened their first/only PCA with, for example:

- The provider with whom their family or employer banked (familiarity, assurance)
- The first/closest provider they encountered on the high street (convenience)
- A recommended provider (assurance)

69. Many participants opened their first PCA when they started working, or when their employer stopped paying them in cash and required them to have a PCA. This meant that opening a PCA was often about finding the quickest and most convenient way to facilitate a requirement, and that PCA evaluation and comparison was very low.

70. The small number of participants who had actively chosen a PCA based on the features offered were more likely to be consumers who were opening an additional PCA. Some of these participants had an 'empowered consumer' mentality where they sensed they had 'value' as a customer. PCA evaluation and comparison of features was common here, with key drivers being financial extras (switching bonus, credit interest), ease and reliability of switching, and ease of operation (online banking, branch network). Participants here tended to conduct online PCA searches, using the Martin Lewis website and price comparison websites.

"*They were doing an offer, where they were giving you £150/£200 just for transferring and if you weren't happy with it they were going to give you more, so I can't remember what happened but something I didn't like about [named bank]. Actually I think the main thing about [named bank] was my savings account, I looked at how much interest I got and it was so bad. And so I had a look around online for different accounts, and this one came out quite well."* (*Female, 3 PCA, FIIC, London)*

71. For some participants, particularly some of those who were financially distressed, choosing a PCA was a constrained choice. Some of these participants felt that the bank had a right to decide on 'choosing them' as customers. This sense that the bank may or may not want them as customers came forward amongst some participants who had lower incomes or those who were reliant on their overdraft to maintain their lifestyle.

"I just wanted to get over the threshold, of someone saying 'you can have a bank account', my expectations were low" (Male, 2 PCA, Basic Bank Account, Sutton Coldfield)

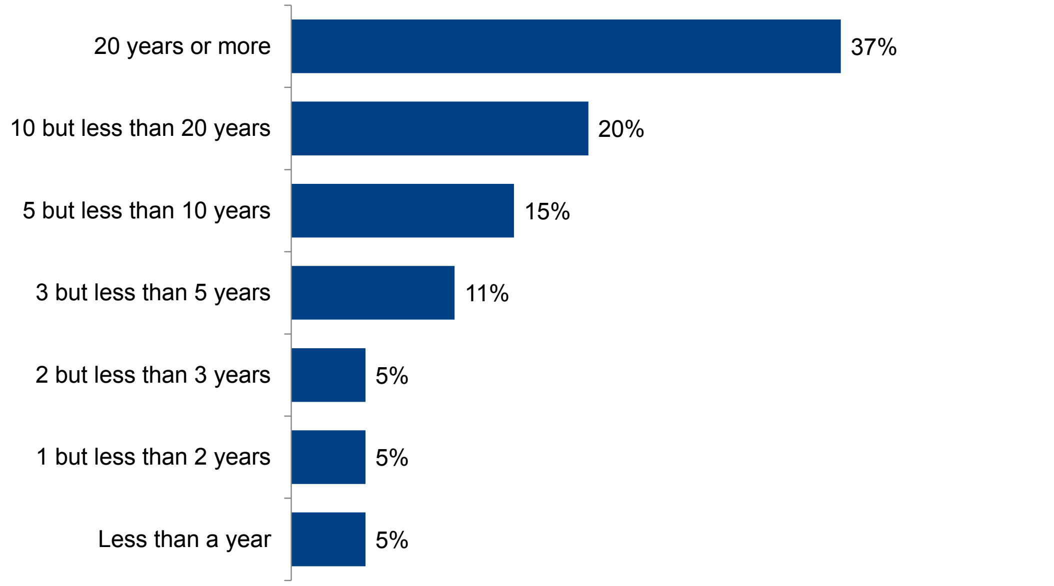
4.3.2 How PCAs are used

4.3.2.1 Quantitative findings

72. This next section looks at account usage details such as length of time account used as main current account, services used and the frequency with which they are used, with the data taken from the quantitative survey.

73. Nearly three fifths (57%) of PCA holders had opened their main current account at least 10 years ago. Those whose main account was with one of the four major banks tended to have used their account as their main current account for a longer period of time compared with those whose main current account was with one of the small banks (average 13.3 years v 11.0 years). It should however be noted that some of the smaller banks are relatively new to the market and have therefore not been established for as long as the four major banks.

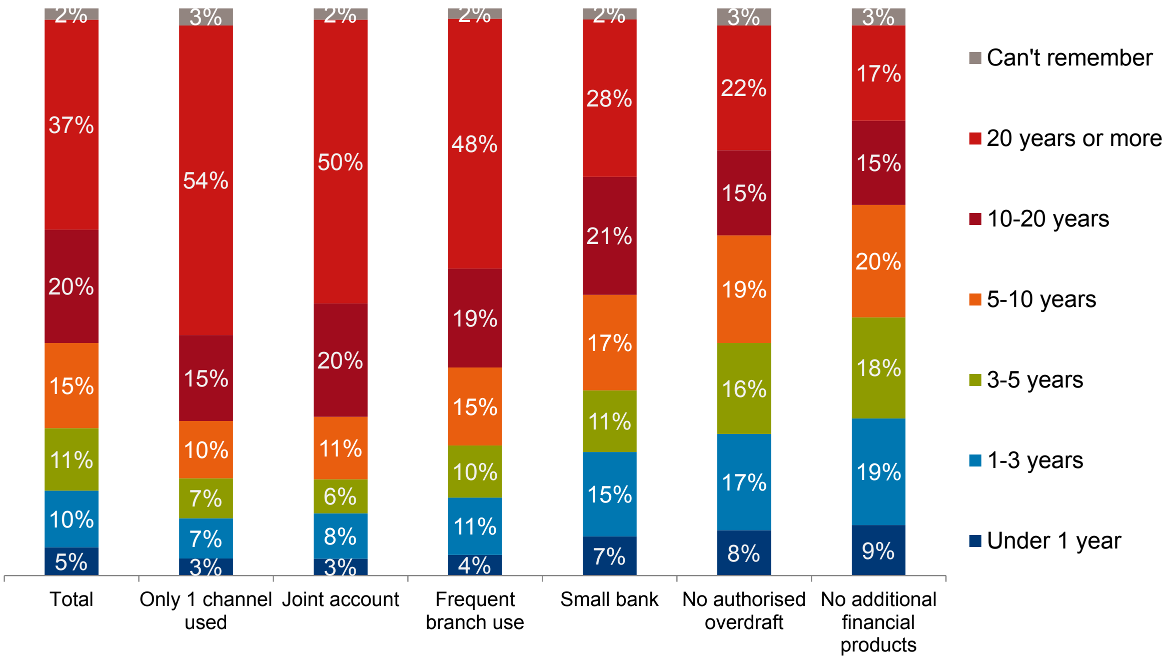
Figure 6: Length of time account used as main current account



Base: All (4,549)
B1 For how long have you been using this account as your main current account?

74. Figure 7 provides details of the length of time the account had been used as the main current account by sub-groups. More than two thirds of those who only used one channel (one of internet, branch or telephone) to contact their bank (69%); joint account holders (70%) and frequent branch users (69%) had opened their main current account ten or more years ago. Those who banked with one of the small banks, did not have an authorised overdraft and did not have any additional financial products were likely to have opened their accounts more recently.

Figure 7: Length of time account used as main current account by sub-groups



Base: All (Total = 4,549; only 1 channel used = 1,239; Joint account = 1,232; Frequent branch use = 433; Small bank = 386; No authorised overdraft = 1,650; No additional financial products = 922)

PCA Survey

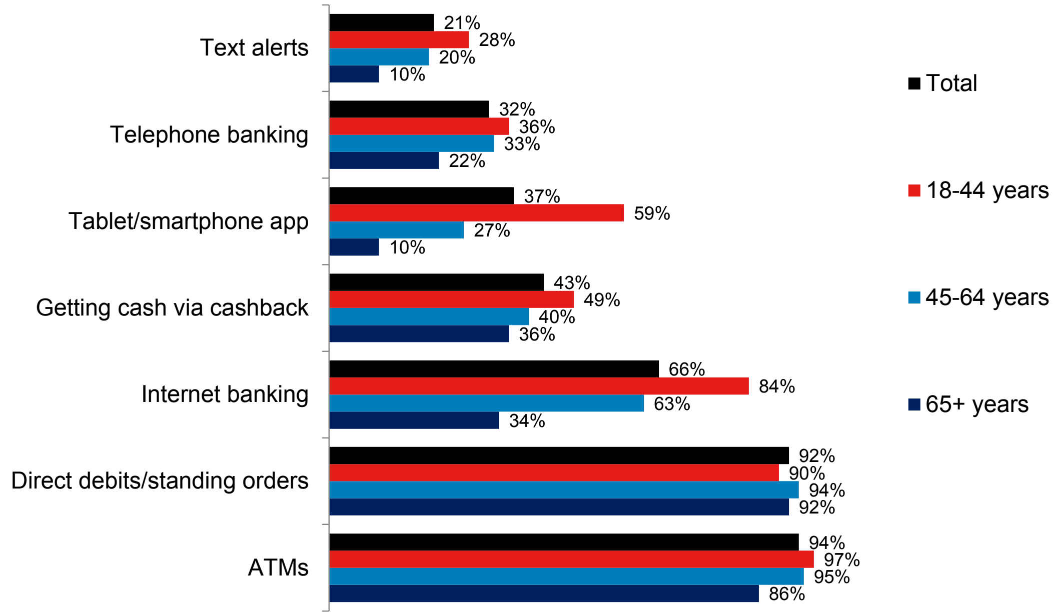
B1 For how long have you been using this account as your main current account?

75. More than two fifths of PCA holders said that their main current account pays interest on their account (44%) and/or provides a free overdraft so you do not pay if you are overdrawn (41%). Fewer reported that their current account included insurance (29%) or paid cashback on bills and purchases (22%). Those aged 18-44 years (49%) and those who had a high income (51%) were particularly likely to have a main current account that pays interest on their account.

76. The vast majority of PCA holders said that they currently use cashpoints and ATMs (94%) and direct debits and standing orders (92%). Two thirds (66%) reported that they currently use internet banking and just over a third used a tablet or smartphone app (37%).

77. Overall, technology was more likely to be used for bank interactions by those aged 18-44 years. More than four-fifths (84%) of those aged 18-44 years said that they used internet banking and three fifths (59%) used a tablet or smartphone app.

Figure 8: Accounts services used



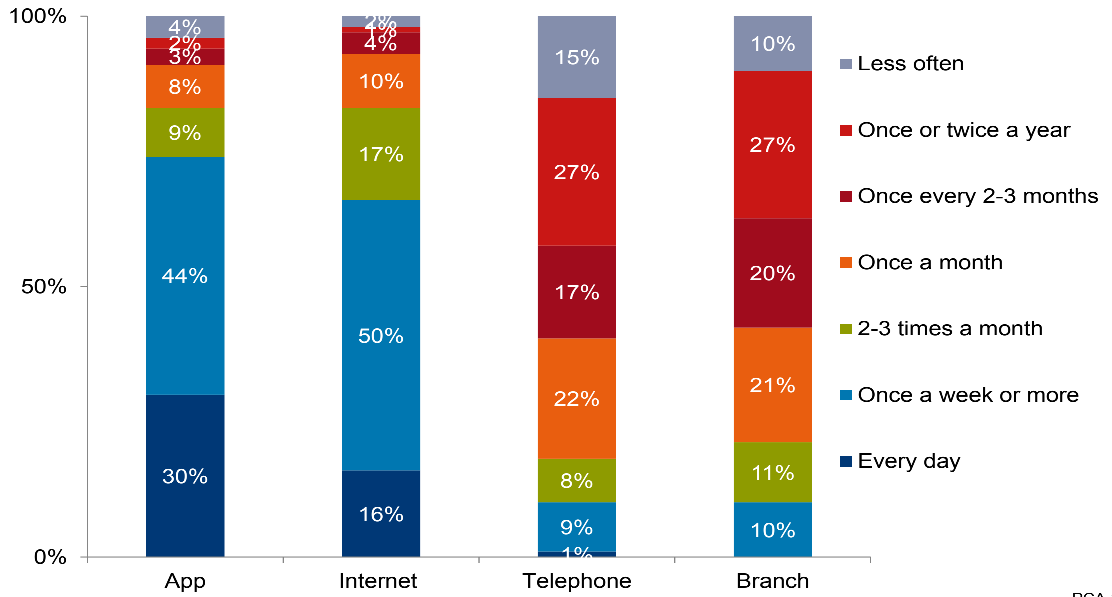
Base: All (Total = 4,549; 18-44 years = 2,090; 35-64 = 1,646 ; 65+ = 813)

C2 Which if any of the following services do you currently use with this account?

PCA Survey

78. Amongst users of the different channels, the frequency of accessing services through that channel varied greatly. Technology based channels (smartphone apps and internet) were used more frequently than telephone or branch banking. At least two thirds of those who either used tablets or smartphone apps (74%) or internet banking (66%) said that they used it at least once a week or more. By contrast, only 10% of telephone and branch users accessed their current account through these channels at least weekly.

Figure 9: Frequency use account services



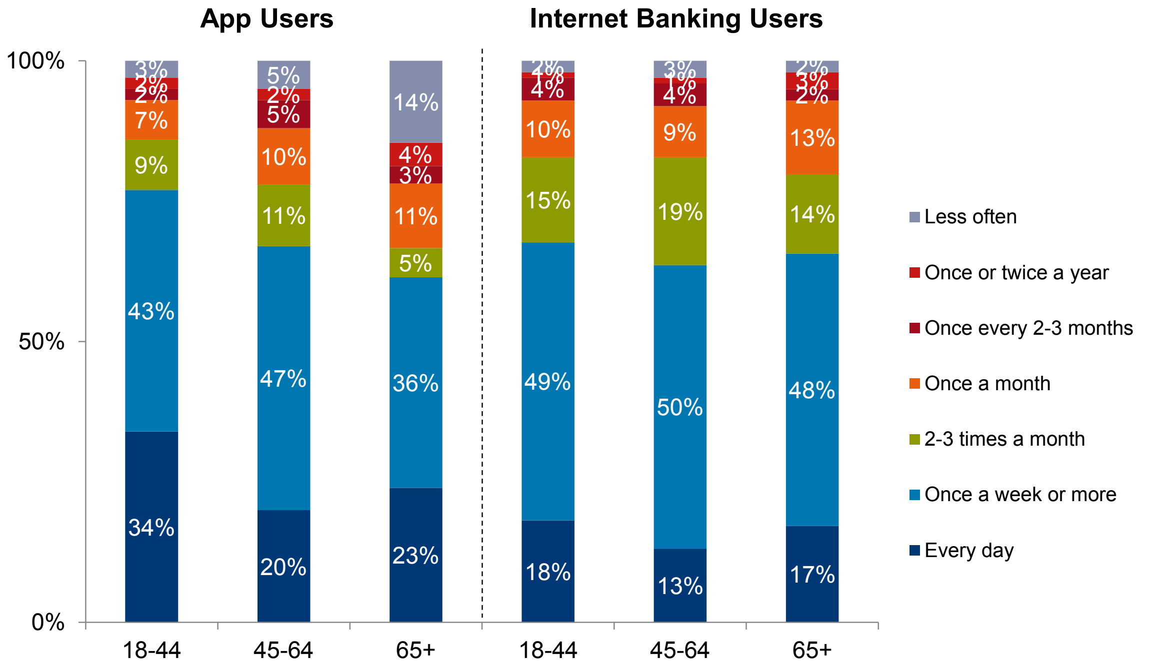
Base: Those who use each feature (App = 1,769; Internet = 3,007; Telephone = 1,464; Branch = 4,148)

PCA Survey

C3 How often would you say you use {feature} with your main current account? D1 How often, if at all, do you go into a branch [of {bank}] for anything to do with your main current account? CATI – for First Direct/Smile customers please delete the words in square brackets

79. Amongst smartphone app users the frequency of accessing their main current account via this channel varied by age, with those under 45 years much more likely to do so on a daily basis. Age was not a differentiator for frequency of use of internet banking (amongst those using this channel). Similar proportions across all three age groups used internet banking at least once a week.

Figure 10: Frequency use account services – technology

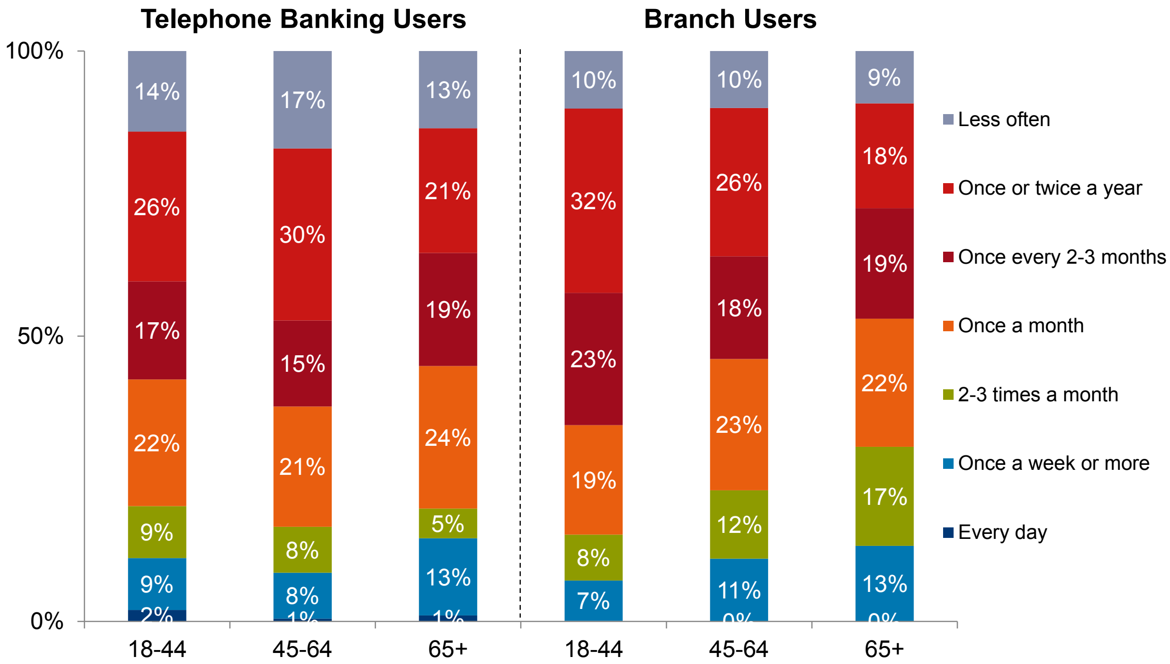


Base: Those who use each feature (App 18-44 = 1,245; App 45-64 = 451; App 65+ = 73; Internet 18-44 = 1,730; Internet 45-64 = 1,008; Internet 65+ = 269)
C3 How often would you say you use {feature} with your main current account?

PCA Survey

80. Looking at users of telephone banking there was no difference by age in terms of frequency of use. However, older users of branch banking tended to use this channel more frequently.

Figure 11: Frequency use account services - traditional

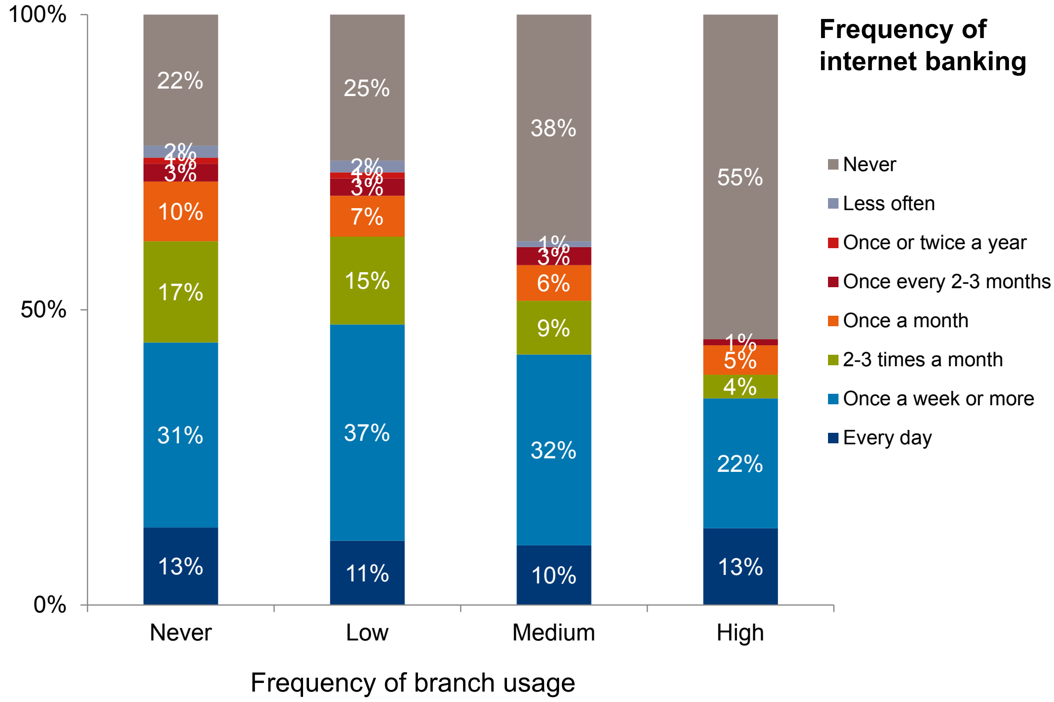


Base: Those who use each feature (Telephone 18-44 = 749; Telephone 45-64 = 536; Telephone 65+ = 179; Branch 18-44 = 1,944; Branch 45-64 = 1,485; Branch 65+ = 749)
C3 How often would you say you use {feature} with your main current account?

PCA Survey

81. Figure 12 shows how the frequency of branch usage and the frequency of internet banking are linked. Just over half (55%) of high frequency branch users had never used internet banking, and the proportion of non-internet banking declines among less frequent branch users.

Figure 12: Frequency of internet banking use by branch usage



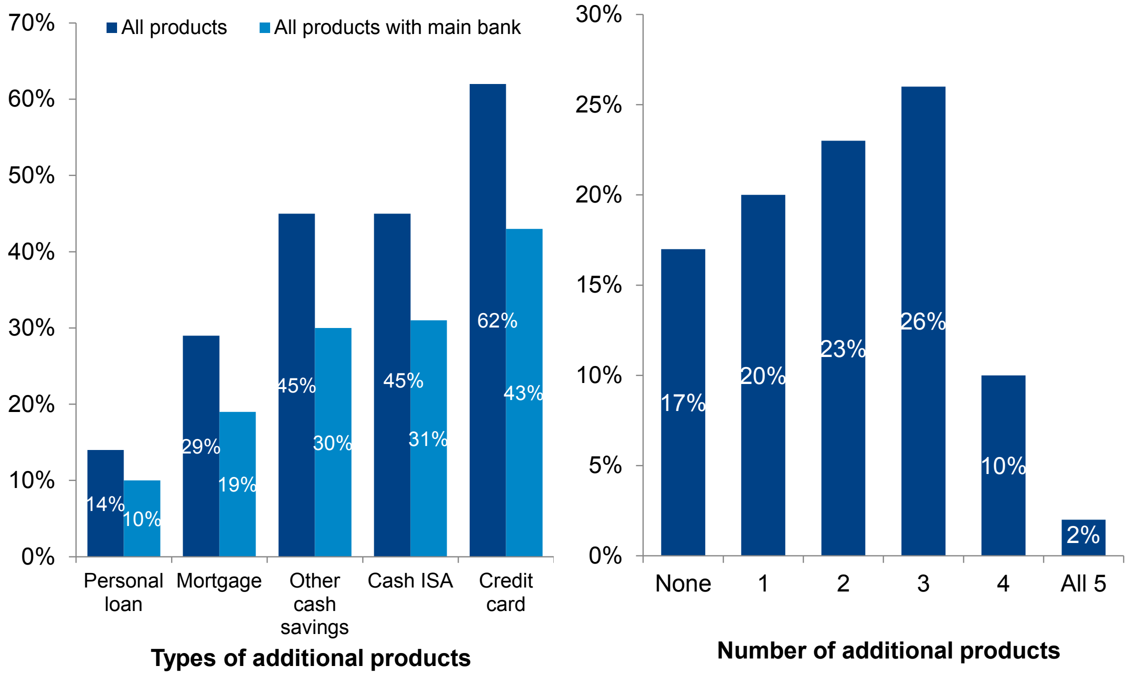
Base: All (Never = 372; Low = 1,482; Medium = 2,233; High = 433)
C3 How often would you say you use internet banking with your main current account?

82. More than four fifths (82%) of PCA holders had one of the following financial products in addition to their main personal current account: personal loan, mortgage, cash ISA or other cash savings, credit card. The most commonly held additional product was a credit card (62%). 17% had no other financial products.

83. Many of these additional products were held with a bank other than that used for the PCA. The majority (71%) of consumers with additional financial products use more than one bank, whilst a quarter (28%) held all their financial products with the same bank as their main PCA.

84. The more other financial products people have, the less likely they are to have them all with the same bank. Of those with just one additional product half held that product with the same bank as their main current account. Among those with two additional products the proportion holding both with their main current account bank dropped to 23%, and among those with all five additional products only 9% had all with the same bank ..

Figure 13: Additional financial products

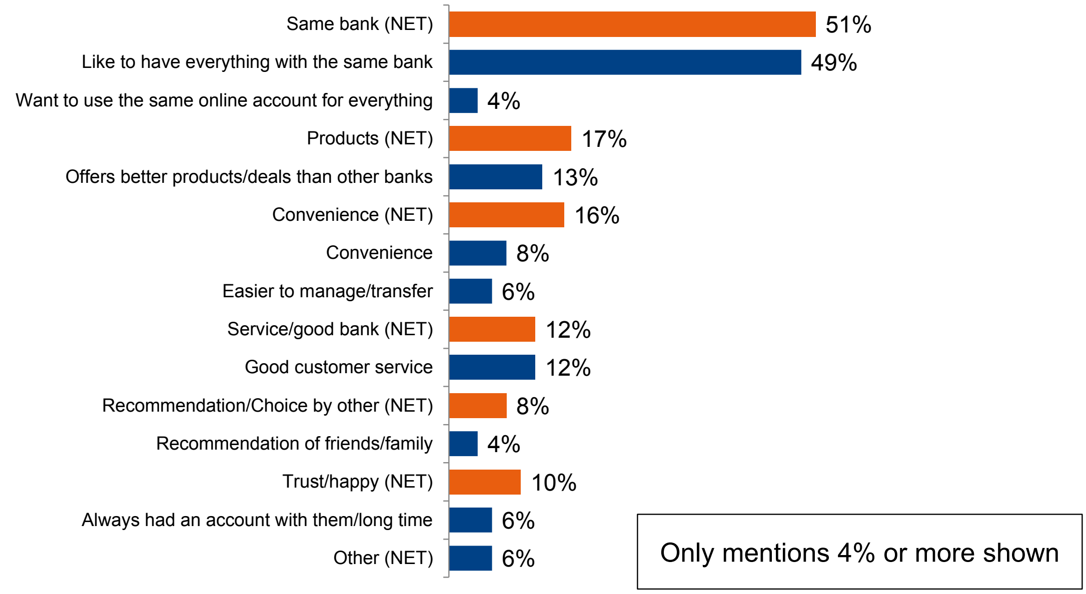


Base: All (4,549) PCA Survey

I1 We have talked about current accounts, but I would now like to ask about other financial products you may have – either with {bank} or another bank. Which of the following do you have with any provider?

85. Nearly a half (49%) of those whose additional financial products are held with the same bank do so because they like to have everything with the same bank. Other reasons, mentioned by at least one in ten, included the quality of products offered by the same bank (17%), the convenience of holding products at the same bank (16%), the good service (12%) and the trust in or satisfaction with the bank (10%).

Figure 14: Reasons for having additional products with the same bank

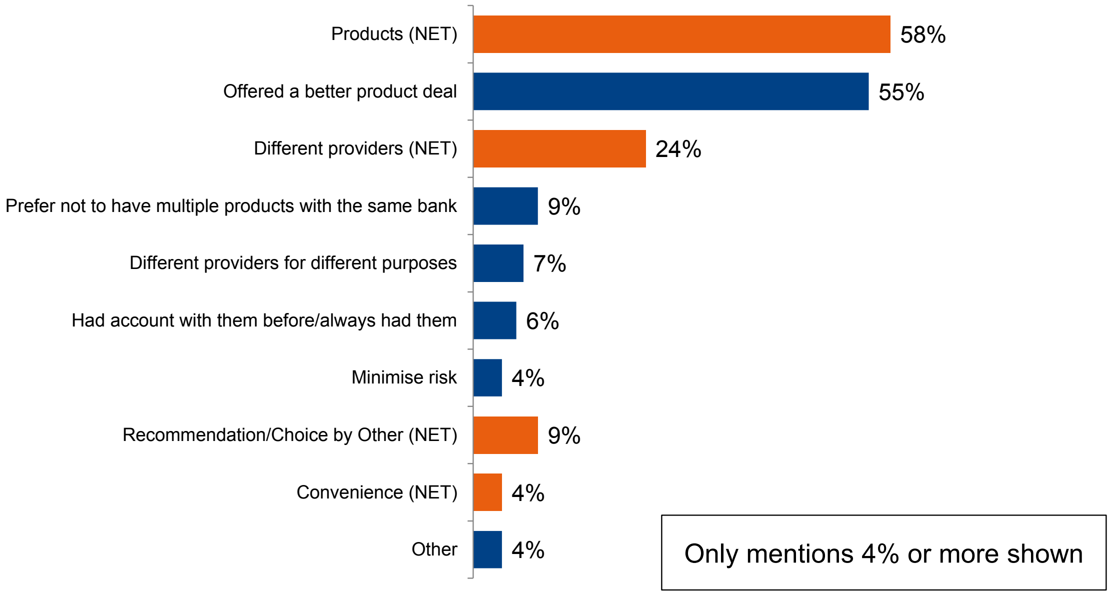


Base: All who have all financial products with the same provider (856)
I3 What is the main reason why you have all of these with {bank}?

PCA Survey

86. In contrast the most commonly mentioned reason for having financial products with different banks was that they had better products or deals (58%). Nearly a quarter (24%) mentioned reasons linked to preference for different providers.

Figure 15: Reasons for having additional products with the different banks



Base: All who have all financial products with different providers (2,035)
I4 What is the main reason why you have all of these with different banks?

PCA Survey

4.3.2.2 Qualitative findings

87. The majority of the qualitative participants had a free-if-in-credit PCA which acted as an 'enabler', working almost invisibly in the background to bring about the processes that enabled participants to manage their day-to-day finances. This meant the role of the PCA was fundamental to the lives of the qualitative participants, enabling them to carry out the critical day-to-day financial transactions that helped them to lead their lives, such as payment of direct debits, receiving wages / pension, online shopping.

"The main one [PCA] I have is the one that my wages go into every week, and the majority of my bills go out of…" (Male, two PCAs, Basic PCA, Wales)

"…serves my purpose, my money goes in and then it comes out. I know my money's safe with the bank and I can draw it our when I need it. Simple and straightforward." (Male, one PCA, FIIC, authorised o/d, London)

88. Many participants regularly checked their PCAs through online banking, printed statements, visiting the branch, to ensure that the desired processes were occurring.

"Mainly I use Internet banking to check whether or not payments have left the account. I also use the local branch as well mainly to put the wage from the local pub in because it's a cash payment which I can then deposit straight into the bank." (Male, one PCA, Basic PCA, high value balance, Wales)

89. A small number of qualitative participants had a packaged/paid for PCA. In these instances, the PCA moved on from being simply an enabler to also offering benefits and features. These participants tended to be more aware of their PCA features and more explicit about why they had their PCAs and what the PCAs offered.

"It's a fee paying account, so basically you get some extras with the account. I use it for wages in, transferring money, some direct debits…a fee paying account with some various extras tagged on to it…AA breakdown cover, travel insurance, overdraft…those are just some of the extras." (Male, two PCAs, Paid for PCA, authorised o/d, Wales)

4.3.3 Overdrafts

4.3.3.1 Quantitative findings

90. Nearly two third (64%) of PCA holders said that they had an overdraft facility. Prevalence of overdraft facilities was highest amongst those who had a high income - £24,000 or more (76%), those who had the account for more than 20 years (76%), and joint account holders (73%). In addition those who had a more complex banking structure, having accounts/products with four or more banks (76%), or having three or more current accounts (75%), were much more likely to have an overdraft.

91. PCA customers in Northern Ireland (52%) were much less likely than average (64%) to have an overdraft facility.

92. The authorised overdraft limit on their current accounts ranged from £1 to, in some cases, more than £2,000. The median overdraft limit was £600 but it is worth noting that, of those who had an authorised overdraft facility, one in six (16%) were not aware of how much their authorised overdraft limit was.

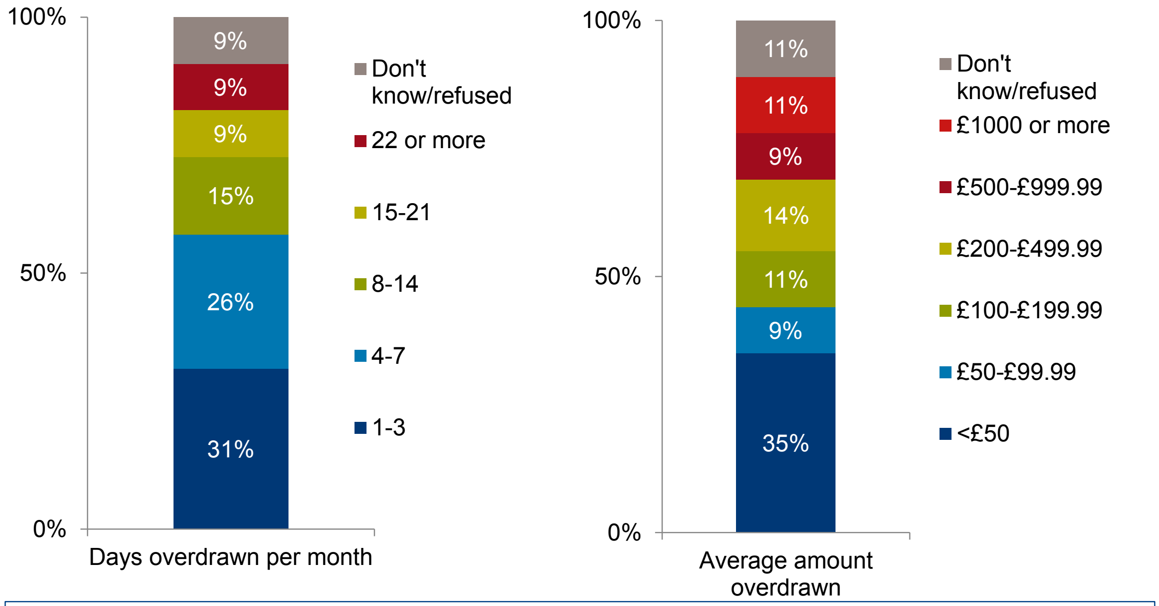
93. All PCA holders were asked whether they had gone overdrawn on their main current account in the last 12 months. In total three in ten (29%) of all customers said that they had been overdrawn in the last 12 months. The proportion reporting that they had been overdrawn was highest amongst those aged 18-44 years (38%) and 45-64 years (28%), those who earned £24,000 or more (34%) and amongst those with three or more current accounts (34%).

94. Overall those who had been overdrawn in the last 12 months tended to be overdrawn for only a short period of time and by only small amounts. The median number of months overdrawn across a 12 month period was two months, whilst the median monthly average amount overdrawn was £75.

95. Amongst those who reported that they had an overdraft facility and had been overdrawn, a quarter (24%) had exceeded their overdraft limit in the last year, but a half of these customers had done so only in one month.

96. Exceeding an overdraft limit or going overdrawn without an authorised overdraft was not common amongst PCA holders. Around one in ten (11%) of all customers had either exceeded their overdraft limit or gone overdrawn without an authorised overdraft.

Figure 16: Overdraft levels



There was a clear correlation between the two – of the 237 people typically overdrawn for >15 days a month, 57% were typically overdrawn by £500 or more

Base: All who have been overdrawn on their main account at any time in the last 12 = 1,235; months

G7 Thinking about the x months (from G 5) that you have been overdrawn in the last year, what is the average **amount** you were overdrawn in a month? G8 And how many days in the month were you usually overdrawn?

PCA Survey

4.3.3.2 Qualitative Findings

97. Many of the qualitative participants saw authorised overdrafts as a valuable component of PCAs.

98. Some participants had an authorised overdraft that they used rarely for unexpected items, or not at all. They valued having it as a safety net, 'just in case' they should ever need to use it. They often viewed the authorised overdraft as a token, or recognition, from their bank to acknowledge they were a valued customer.

"Yes, it [authorised overdraft] is important, because you never know if you're ever going to go into overdraft or your funds go below zero." (Male, three PCAs, FIIC, authorised o/d, Sutton Coldfield)

99. Some participants used their authorised overdraft as an integral part of their finances, regularly using their authorised overdraft to fund routine spending rather than unexpected items.

"It works out good for me because it's got an [authorised] overdraft which gives me a wee bit extra in case I need it. I try as much as I can not to dip into it, but it's hard." (Male, one PCA, FIIC, authorised o/d, Scotland)

100. Authorised overdrafts were one of the few places where PCAs were monetised by participants, with some participants reporting that overdraft charges could or would act as a point of comparison between different PCAs.

101. Both those participants who rarely or never used their authorised overdraft, and those participants who routinely used their overdraft, felt that their PCA provider had the right to charge them for using the overdraft as long as the charges were not excessive.

"It's not my money, I'm borrowing from them [the bank]; and it's not a huge amount of money to pay for it [the authorised overdraft], only four pounds per month or something like that." (Female, three PCAs, fee paying, authorised o/d, Leeds)

"For me and the financial state I'm in now, it's [the authorised overdraft] the best offer for me. They [the bank] do need to charge it, and it's still cheap enough, you don't mind it…" (Male, one PCA, FIIC, authorised o/d, Scotland)

102. However, charges for using an unauthorised overdraft were considered excessive by those who had incurred them, or perceived to be excessive by those who had not incurred them (NB. only a couple of participants had direct experience of using an unauthorised overdraft).

103. The excessive charges were seen as unfair, and adding pressure to consumers who were already financially distressed. Participants paid from one pound per day for using an authorised overdraft to ten pounds per day for using an unauthorised overdraft.

"If I get hit with two payments that I wasn't expecting or if I get hit with a bill I completely forgot about or didn't know was coming, sometimes I've just overreached the overdraft and go into the unplanned…I think that's charged at six or ten pounds a day…I just try and find an excuse why I shouldn't get the charges." (Male, two PCA, FIIC, authorised o/d, Wales)

4.3.4 Bank Branches

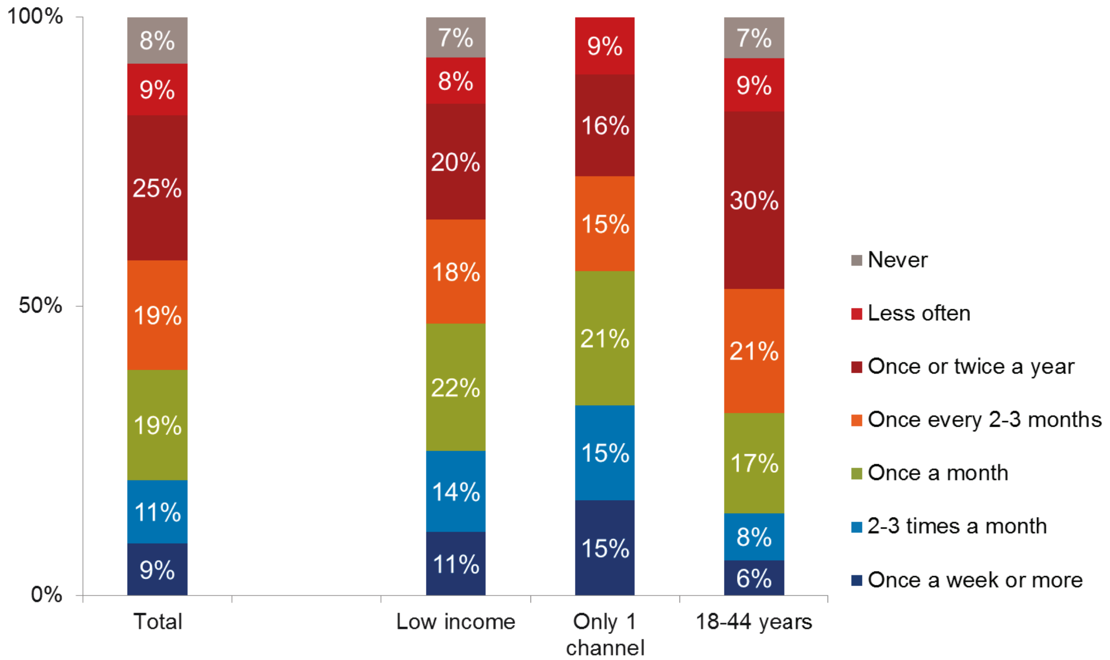
4.3.4.1 Quantitative findings

104. All respondents were asked how often they visited a branch of the bank providing their main current account. Two fifths (39%) said that they visited a branch at least monthly, with one in ten going once a week or more (9%). A higher frequency of visits was more common among customers of large banks than small banks (43% at least monthly v 32% respectively). 17% of respondents said they visited a bank branch less than once a year, or never.

105. PCA holders who were on a low income or only used one channel to interact with their bank tended to visit their main current account bank branch more frequently compared with the average. Around a half of those on a low income (47%) or who only use one channel to interact with their bank (51%) visited their bank branch at least once a month compared with two fifths (39%) on average.

106. Those aged 18-44 years tended to be less frequent visitors to a bank branch. Less than a third (31%) of those aged 18-44 years visited their branch at least once a month.

Figure 17: Frequency of visits to main current account bank branch



Base: All (Total = 4,549; Low income = 966; Only 1 channel = 1,239; 18-44 years = 2,090)

D1 How often, if at all, do you go into a branch of {bank} for anything to do with your main current account?

PCA Survey

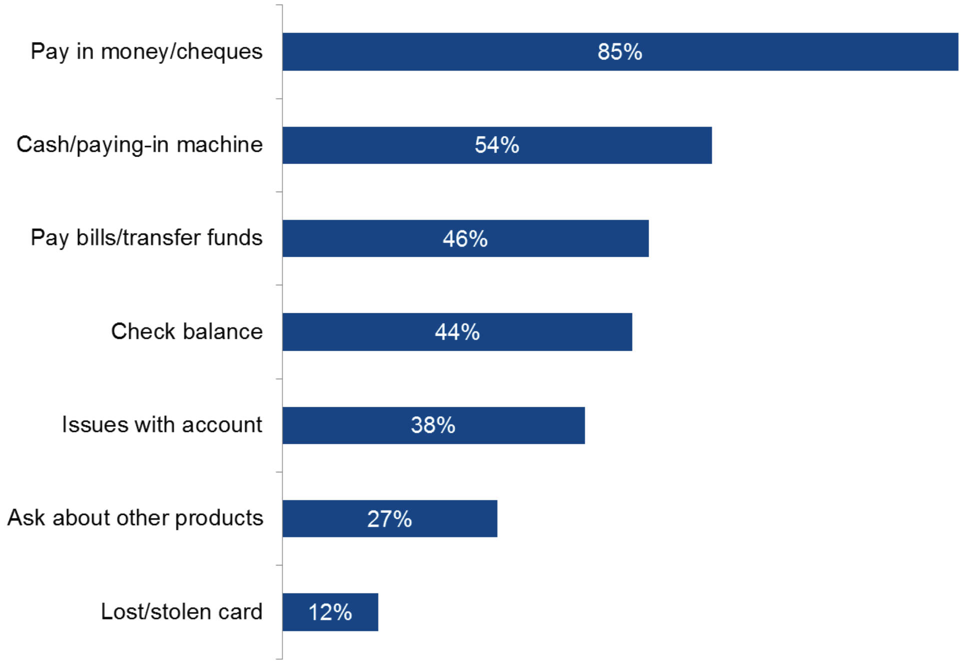
107. The frequency with which respondents used internet banking or apps did not affect the frequency with which they used their bank branch; however those who used telephone banking frequently were also more likely to be frequent branch users.

108. In addition to questions about how frequently they visited a branch of their "main" current account bank, respondents were also asked about the reasons why they did so. The majority of customers visited a branch in order to pay in money or cheques (85%) and just over half did so to use cash machines or paying-in machines (54%). This was markedly lower among customers in Northern Ireland (43%).

109. Nearly a half (46%) of branch customers visited their branch to pay bills or transfer funds between accounts. This was more common among those aged 45 years or over (50% v 41% of 18-44s) and those who did not use internet banking (58% v 40% of those who do).

110. Customers of small banks were less likely than average to visit a branch of their "main" current account bank to use ATMs (51% v 54% average) or to pay bills (40% v 46% average).

Figure 18: Reasons for visiting a bank branch



Base: All those who have visited a branch in the last year (3,764)

PCA Survey

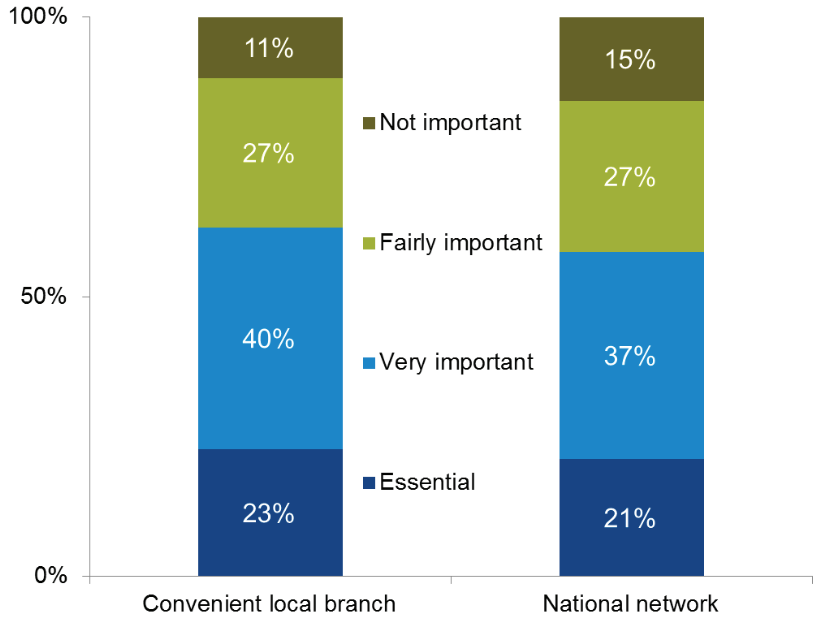
D2 Have you used any of the following in the last year when going inside a branch? How often, if at all, do you into a brank of bank for anything to do with your main current account?

111. All customers who had visited their own bank branch in the past year were asked how important they considered having a convenient local branch and having a national network of branches across the country. Overall bank branches were thought to be important by the majority of customers but around one in ten said that having either a convenient local branch (10%) or a national network of branches across the country (15%) was not important; and this rises to a fifth amongst Co-Operative customers (19% and 23% respectively).

112. A slightly greater proportion of customers said having a convenient local branch was either essential or very important (63%) than having a national network available (58%), but the overall pattern was comparable.

113. A convenient local branch was particularly important for big bank customers. Nearly two thirds (64%) of large bank customers who had visited their branch in the last year said having a convenient local branch was either essential or very important or essential compared with six in ten (60%) small bank customers.

Figure 19: Importance of branch availability locally and nationally



Base: All those who have visited own bank branch in the last year (3,764)

D3 How important, if at all, is it that a branch of your bank is conveniently located for you, for example near where you live or work? PCA Survey
D4 How important, if at all, is it that you can use branches all over the country?

114. The importance given to having a convenient local branch or a national network was influenced by age. Those aged 65 years or over were particularly likely to think that a convenient local branch was essential/very important (63% v 58% 18-44 years old). On the other hand younger respondents were more to think a national network of branches was important (68% 18-44 year olds v 51% 65+ year olds).

115. Other groups who felt that having a convenient local branch was either essential or very important included:

- Customers who do not use internet banking (74% v 56% who do)
- Those with no access to the internet (76% v 61% who have access)
- Customers in Northern Ireland (68%, compared to 63% average)

116. Generally, customers who were less financially engaged were more likely to consider branch availability very important or essential:

- Those with no overdraft facility (67% v 60% of those with one)
- Those with no mortgage (64% v 59% of those with one)
- Those with no direct debits or standing orders (68% v 62% of those with them)

4.3.4.2 Qualitative findings

117. The qualitative research identified three complementary roles for the bank branch, which tended to have variable importance for different groups across the qualitative sample. The three roles were:

- **Transactional space:** the branch was used by some to pay in cash or cheques, and was used by others as a safe space to bank (compared to, for example, using an ATM on the street) even if they were just using automated resources. Amongst the sample, this space had widespread relevance across ages, although frequency of use appeared to be lower amongst some younger participants who were using mobile phone banking apps or electronic money transfer.

- **Critical need space:** most participants viewed the branch as offering a vital role if consumers had a PCA problem or query. Participants valued being able to talk face-to-face with branch staff and being able to 'see' that their problem or query was being resolved. This space had potential general relevance across all participants.

> *"In case of emergency I've got somewhere to go. It's not of major importance, at the back of my head [it's] a safeguard. If I suddenly realised there wasn't one, then that's a worry." (Male, two PCA, Basic, Sutton Coldfield)*

- **Relationship space:** some older and some non-digital using participants appreciated the feelings of recognition and staff relationships bestowed by their local branch.

4.3.5 Impact of branch closures

4.3.5.1 Quantitative findings

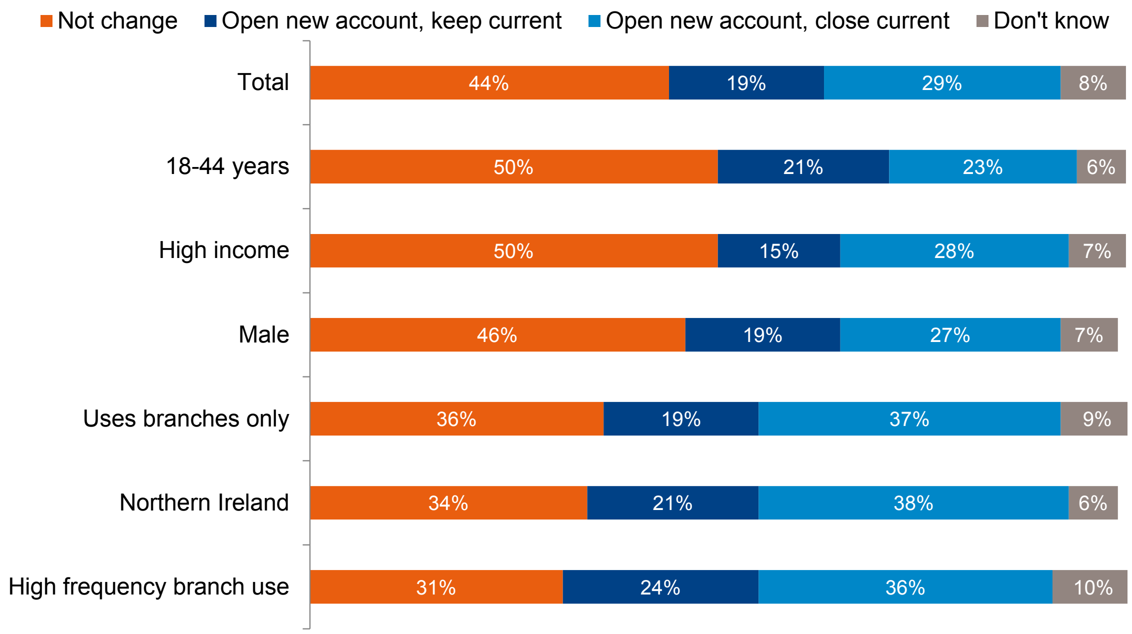
118. All respondents who had visited a branch of their bank in the last year were also asked what action they would take if their most-used branch closed. They were asked if they would stick with their current account provider, open a new account (whilst keeping their current one), or open a new account (and close their current one) with a more conveniently located provider. The majority of customers who ever visited a branch of their bank said they would keep their current account (63%), with 44% saying they would make no changes and 16% that they would open a different account as well. Three in ten customers would close their current account and would instead open an account with a bank with a more easily accessible branch.

119. Younger PCA holders and those with a high income (£24,000 or more) were more likely than average to not change their account if their most used-branch closed. These groups tend to use internet banking (84% 18-44 year olds and 83% of high earners) and were generally less reliant on the physical visits to the provider.

120. Customers who use branches regularly (31%) and who conduct all of their banking activities in branch only (36%) were more likely to say they would switch to a new provider with more convenient branch locations.

121. Bank branches were also perceived to be important amongst bank customers in Northern Ireland with nearly two fifths (38%) saying that if their most-used branch closed that they would switch to a new provider with more convenient branch locations.

Figure 20: Behaviour if most used branch closed



D5 Thinking about the branch of bank that you use most often, if that branch was closed permanently, would you open an account with a bank with a more convenient branch, or not?

PCA Survey

D6 And would you keep your account at {bank} open, or would you close it? NB – Don't know at D6 counted as "keep it open"

4.3.5.2 Qualitative findings

122. Participants were asked how they would feel if their local branch closed, and what action this might prompt. Some participants who rarely or never used their local branch were not concerned if their local branch closed as they felt it would not impact on them.

123. The response of most other participants who regularly used or sometimes used their local branch was driven by the extent to which they were using alternative channels – mainly online banking – and the proximity of the next local branch. Some participants who used their local branch as their main or only banking channel thought that a local branch closure could lead them to searching and switching PCAs, but most participants thought they would adjust to the situation.

> *"I'd just lump it. I would deal with it…it wouldn't really affect me too much…obviously because I don't feel I go into the branch often enough to feel the negative effect of it [closing]." (Male, two PCAs, FIIC, authorised o/d, Wales)*

124. Participants were also asked how they would feel if their PCA provider's branch network closed, and what action this might prompt. This was widely seen by participants as a severely detrimental development, and many thought this would lead them to switch PCA to a provider who offered branches.

> *"If I need to pay some money in to cover something and I can't do that. I can't go to a [named bank] to pay it in, I've got to pay it in to one of my branches. So if there isn't one, it's a difficulty. It makes me think I've got to be with a bank that's more local, so I'd think about changing." (Male, two PCAs, Basic, Sutton Coldfield)*

"First of all I'd cry, and then I'd look at other banks. Because you're left with no choices, the decision has been made for you. You haven't been able to choose." (Female, one PCA, FIIC, Harrow)

4.3.6 Use of multiple banking locations

4.3.6.1 Qualitative findings

125. Participants were asked about the appeal of a bank that did not offer branches itself but did offer online, mobile and telephone banking and the use of other bank's branches and the Post Office.

126. This idea was appealing to many participants because it increased the amount of choice, and therefore ease and convenience, they had over where they were able to bank. Bank branches, irrespective of brand, were seen to be a safe place to carry out banking activities. Although there was some degree of support for the Post Office as a local facility, the Post Office was generally not considered as secure as a bank, and there was concern over the length of queues found at Post Offices.

"I think it would make things a lot easier for people…because some places, if it's like a small town, it might have a Barclays or Lloyds and someone had a NatWest and they had to travel 20 minutes down the road to go to a (branch), they could just go in to Lloyds or the post office or Barclays, I just think it would be easier." (Male, 2 PCA, FIIC, authorised O/D, Cardiff)

"Post Office brings to mind queues and loads of people. If it didn't take longer to do what I wanted to do, I wouldn't mind." (Female, 3 PCA, FIIC, London)

127. Some participants questioned the ability of staff to operate across bank brands, and were concerned that mistakes could occur.

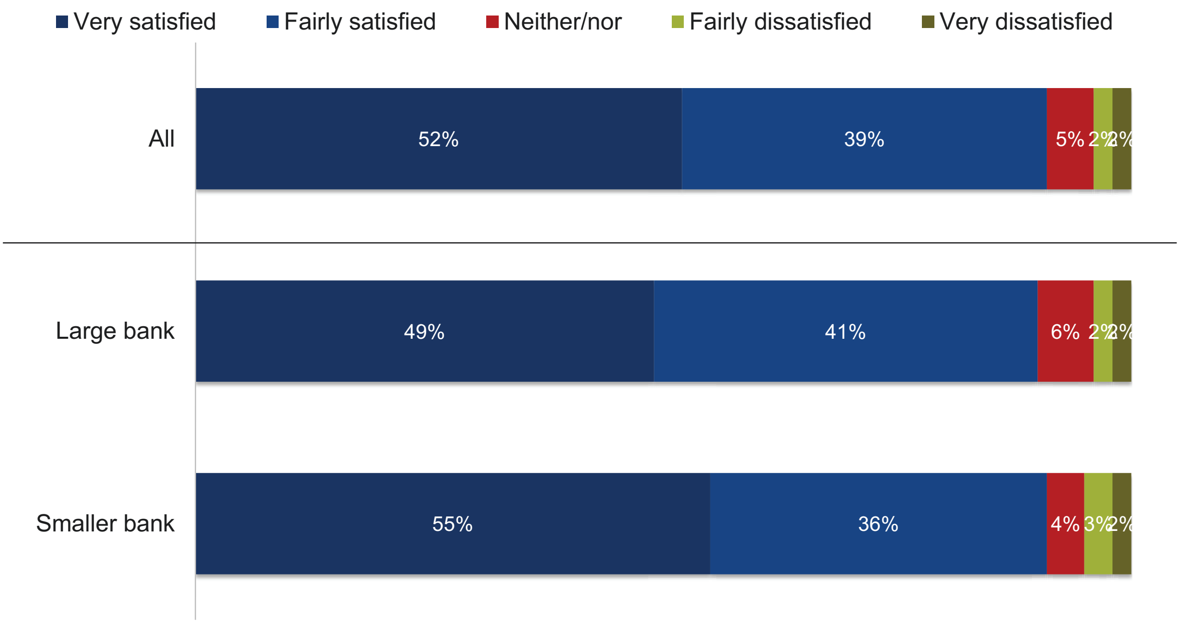
4.4 Satisfaction with PCA

4.4.1 Quantitative findings

128. All respondents were asked how satisfied or dissatisfied they were with their PCA provider. Those with multiple accounts were asked about their main account, and this account could be either sole or joint. Overall, the vast majority of customers (91%) were satisfied with their PCA bank, and fewer than one in twenty (4%) were dissatisfied.

129. Overall satisfaction did not differ between those holding accounts with large (90%) or small banks (92%), with nine in ten reporting being either very or fairly satisfied. However, customers of small banks were more likely to report they were **very** satisfied with their main current account bank than customers of big banks (49% v 55% respectively).

Figure 21: Satisfaction with main current account supplier overall and by size of bank



Base: All (4,549), Main bank (2,484), Small bank (2,065)

PCA Survey

E2. Overall, how satisfied or dissatisfied are you with your main current account bank?

130. Customers of First Direct (98%) and the Nationwide (96%) were more likely than average (91%) to be satisfied with their PCA bank. Nearly three quarters (74%) of First Direct customers and nearly two thirds (63%) of Nationwide customers said they were very satisfied. It should however be noted that the base size for First Direct is less than 100 so these should be seen as indicative figures only.

Table 1: Satisfaction with current bank by Bank

	Unweighted base	% all satisfied	% very satisfied
Total	4,549	**91**	**52**
First Direct	80	**98***	**74***
Nationwide	249	**96***	**63***
Metro Bank	146	96	59
Co-operative Bank + Smile	247	94	55
Bank of Scotland	207	93	55
Natwest Bank	404	93	52
Lloyds Bank	459	93	54
TSB	273	92	58
Halifax	302	90	55
HSBC	356	89	43
Santander	440	89	50
Ulster Bank	151	89	46
Barclays Bank	482	88	47
Danske Bank	161	88	41
Royal Bank of Scotland	213	88	42
Clydesdale Bank + Yorkshire Bank	250	88	53
First Trust Bank	105	87	48

* denotes significantly different from the average/total

Caution should be attached to the First Direct figure because of the small sample size

131. Respondents who were dissatisfied with their current account supplier were generally those who were less in control of their finances, either personally: for example those who had been overdrawn for more than 9 months in the previous year (12% v 3% who had been overdrawn for less time) and those who had paid high overdraft charges (12% v 4% medium or low); or for reasons caused by the bank (16% of respondents whose bank had made a mistake with their current account were dissatisfied).

132. In order to gauge views on satisfaction with different aspects of their main current account provider, respondents were asked to rate a number of aspects on a 5-point scale from "Very

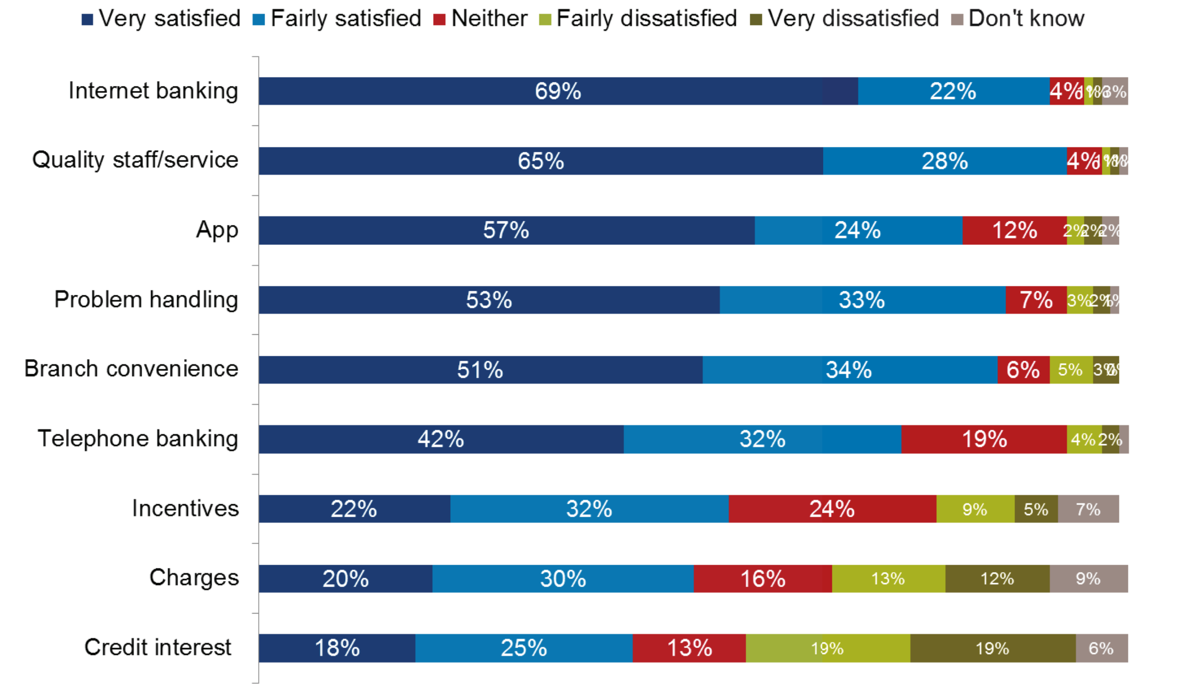
satisfied" to "Very dissatisfied". The vast majority of customers said that they were satisfied with the quality of staff and customer service (93%), internet banking facilities (91%), how the bank handles problems (86%) and branch convenience (85%).

133. Fewer PCA holders were satisfied with the incentives (54%), charges (50%) and credit interest rates offered (43%).

134. Younger respondents were more likely to be satisfied with the online banking services offered (87% under 45s v 53% 45+ years) and the same pattern was seen with banking apps. Conversely, older respondents were more likely to be satisfied by the convenience of the location of the physical branch (87% 65+ years v 81% 18-64s).

Figure 22: Satisfaction with aspects of main current account bank

Please note, Figure 22 excludes "Don't have or use" answers



Base: All (4,549)

E1. I am now going to read out a number of different aspects of bank accounts, and for each one I'd like you to tell me how satisfied or dissatisfied you are with your main current account, using the following scale.

PCA Survey

4.4.2 Qualitative findings

135. As shown in the quantitative data, there were similarly low levels of dissatisfaction amongst most of the qualitative sample. Many qualitative participants were satisfied with their PCA, because they felt their PCA functioned efficiently and effectively; thus enabling them to organise, protect and access their money.

136. Most of the qualitative sample had a free-if-in-credit PCA, which meant that satisfaction for most participants was based on what the PCA could do for them, in terms of managing their day-to-day finances, rather than what it gave them in terms of any extra benefits.

“If I had to pay for the privilege of having a current account, different story. But because I don’t have to pay, I don’t question it.” (Female, 1 PCA, FIIC, authorised O/D, Harrow)

137. Most participants who had paid for/packaged PCAs were satisfied with the benefits they received. Most of these participants felt these benefits provided value, convenience and assurance, and viewed the PCAs as representing an advantageous trade-off – a reasonable monthly charge for extra benefits provided. However, some participants described that they had been paying for benefits they had not used, which led some of them to ‘downgrade’ their paid for/packaged PCA to a free-if-in-credit PCA.

4.5 Importance of PCA features

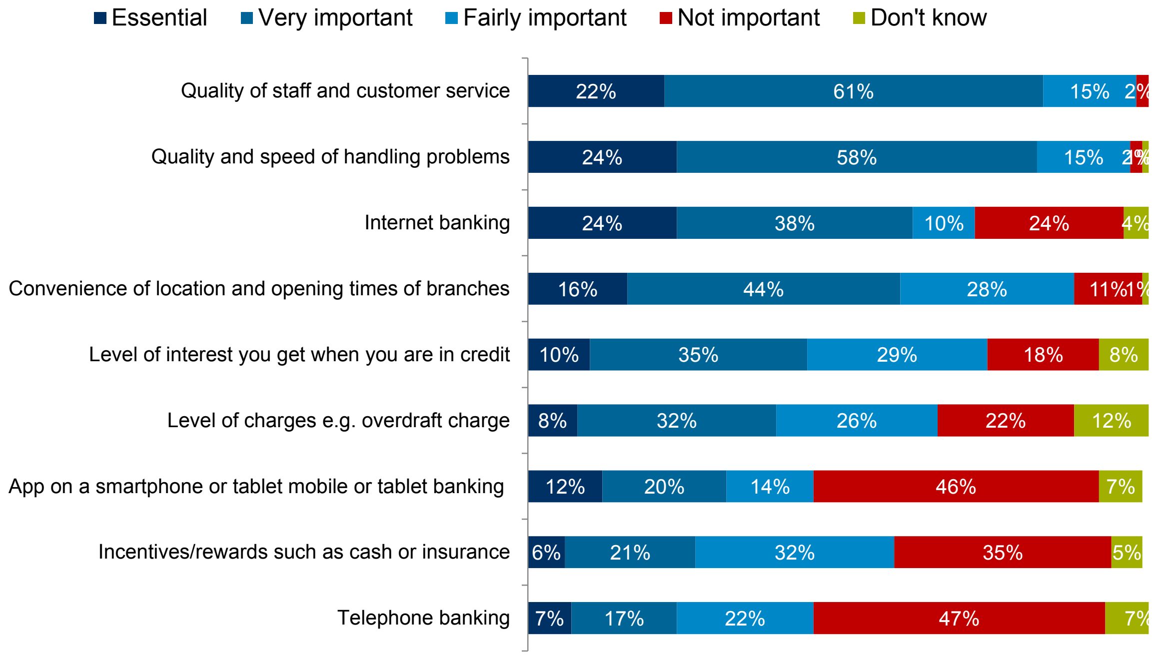
4.5.1 Quantitative findings

138. As well as rating satisfaction, respondents were asked to rate how important each of the aspects were to them personally. The top 2 aspects which scored highest for satisfaction (internet banking and quality of staff/service) were rated as amongst the most important. Aspects such as telephone banking and incentives and rewards were viewed as relatively less important by consumers.

139. Although convenience of location and opening times was given the fourth highest importance score (60% essential/very important) just one in ten (11%) said that this aspect was not important.

140. Quality of staff and customer service was rated the most important factor (83% essential or very important), with this being rated most important by older respondents (87% of those 65 years or over v 82% of those aged under 65 years) and those who use their branch more regularly (92% v 83% using it less often). Conversely, internet banking facilities were rated more important by younger respondents (80% 18-44s v 32% 65+ years) and irregular branch users (73% v 62% regular users).

Figure 23: Importance of aspects of main current account bank



Base: All (4,549)

E3. You've told me about satisfaction with various features. Now can you tell me how important each feature is to you personally, using the following scale.

PCA Survey

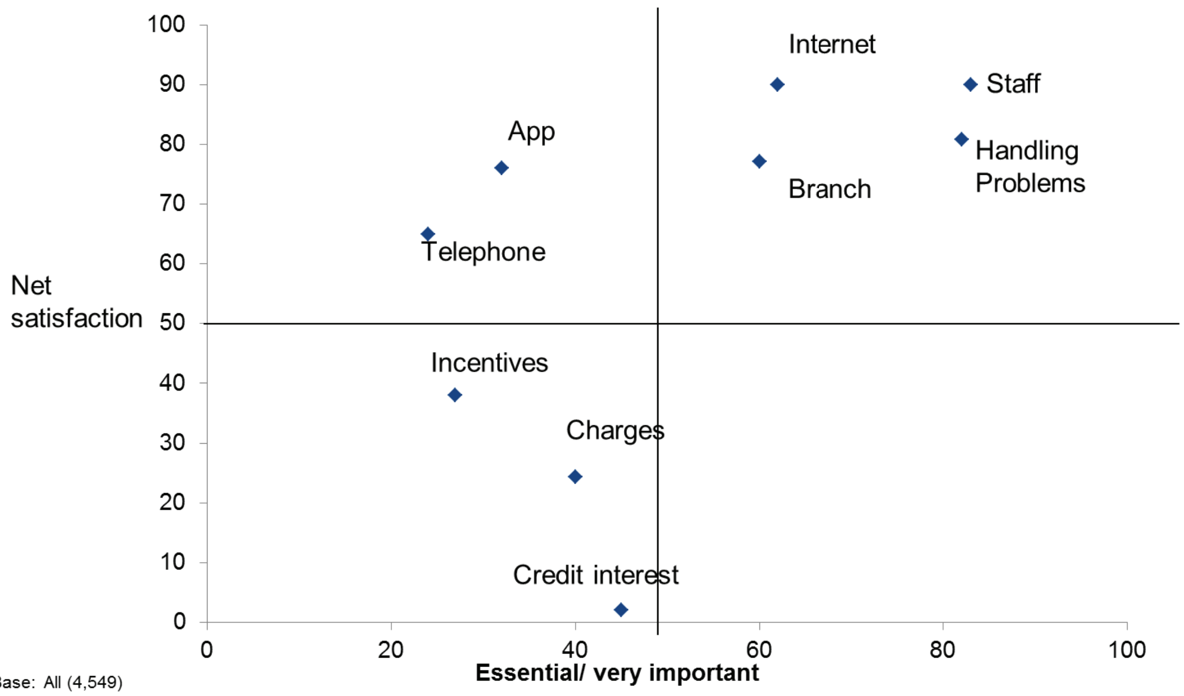
141. There were also differences by region, with respondents in Northern Ireland being more likely than respondents in the rest of the UK to consider the following aspects more important:

- Convenience of location and opening times of branches (68% v 60% Rest of UK)
- Level of interest (51% v 45% Rest of UK) and charges (47% v 40% Rest of UK)
- The incentives and rewards offered (31% v 27% Rest of UK)

142. However, they were less likely to think internet banking (54%) and telephone banking (20%) facilities were important, in comparison to respondents in England, Scotland and Wales.

143. The chart below shows the net satisfaction with each feature (% satisfied minus dissatisfied) plotted against its importance (% rating essential/very important). The general pattern shown is that respondents were generally satisfied with the most important aspects of their PCA. Aspects judged as essential/very important were more likely to be aspects respondents were most satisfied with. Net satisfaction with the level of interest rates offered and charges was lower, but a lower proportion of consumers felt they were essential/very important.

Figure 24: Importance of vs satisfaction with aspects of main current account bank



Base: All (4,549)

E1 I am now going to read out a number of different aspects of bank accounts, and for each one I'd like you to tell me how satisfied or dissatisfied you are with your main current account? E3 You've told me about satisfaction with various features. Now can you tell me how important each feature is to you personally?

PCA Survey

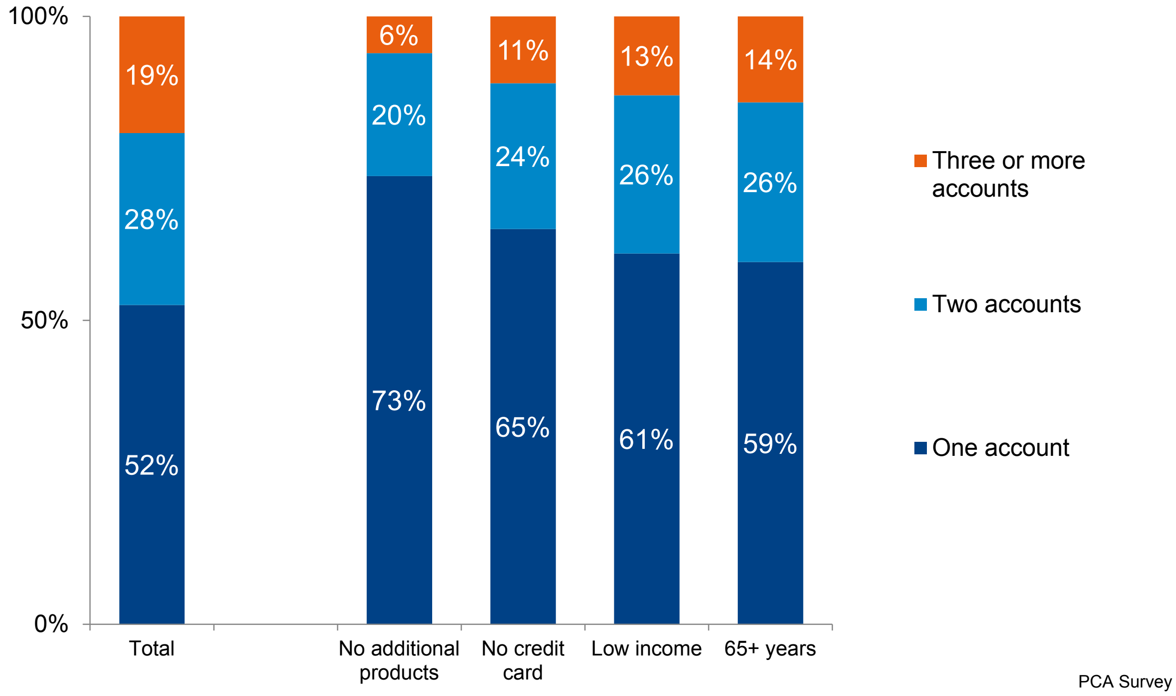
4.6 Multi-banking

4.6.1 PCA usage

4.6.1.1 Quantitative findings

144. Half (52%) of PCA holders who knew how many personal current accounts they had, said they had one PCA. The proportion holding just one current account rose amongst those who had no additional financial products - 73%; no credit cards - 65%, those on a low income (61%) and those aged 65 years or more (59%).

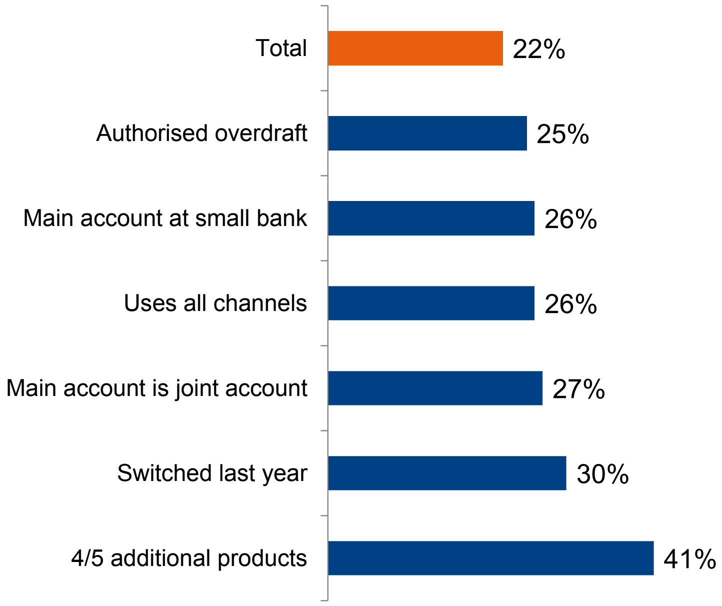
Figure 25: Total number of current accounts held



Base: All who knew how many accounts they had (Total = 4,549; No additional products = 922; No credit cards = 1,858; Low income = 966; 65+ = 813)
A7 Can I just check, do you have any [other] single/joint current accounts with {bank},? [This excludes the account I have already been talking to you about] If coded 'single'at A6 show the word other. B4 How many UK current accounts do you have with other banks apart from {bank}?

145. Overall a fifth (22%) of PCA holders reported that they had multiple current accounts with different banks. This incidence was higher amongst those who had 4 or 5 additional financial products (41%) or had switched their current account between banks in the last year (33%).

Figure 26: Proportion who use current accounts with more than one bank



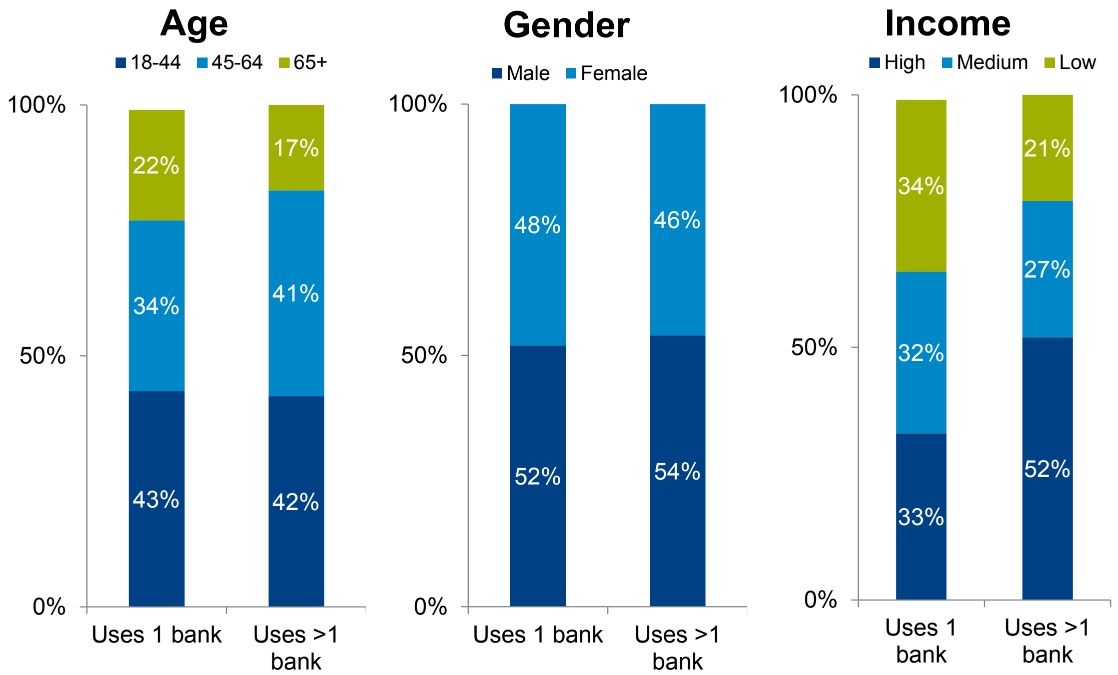
Base: All (Total = 4,549; Authorised overdraft= 2,622; Main account is joint account = 1,232; Main account at small bank = 2,065 ; Uses all channels = 655; Switched last year = 457; 4/5 additional products = 467)

B6 And do you use that account at all nowadays, or not??

PCA Survey

146. There was little difference in the age or gender profile between users of multiple current accounts with different banks and other respondents. However, those using a PCA at more than one bank tended to have higher incomes - £24,000 or more (54% v 28% uses one bank).

Figure 27: Profile of those using one and more than one PCA bank



Base: Uses 1 bank = 3,538, uses > 1 bank = 1,011 (for income 1 bank = 2,488 >1 bank = 743

PCA Survey

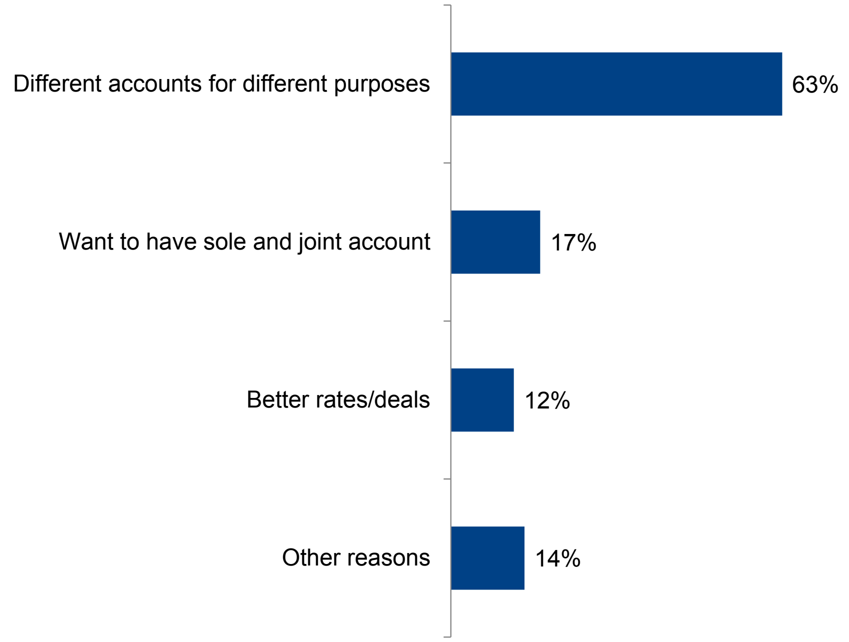
K3a What was your age last birthday? K3b Code Gender. K7 Please could you tell me your own TOTAL income, BEFORE tax? This includes earnings from wages, benefits and pensions.

4.6.2 Reasons for using multiple PCA's

4.6.2.1 Quantitative findings

147. All those who used multiple current accounts were asked why they use different accounts. The most frequently mentioned reason given, by some considerable way, was that they have different accounts for different purposes (63%). Fewer than a fifth said they wanted a joint/sole account (17%) or wanted better deals/rates (12%). Only 2% said they hadn't got round to closing their other account

Figure 28: Why use different accounts



Base: All who use multiple current accounts with different banks (1,874)
B8a Why do you use more than one current account?

PCA Survey

4.6.2.2 Qualitative findings

148. Some qualitative participants used multiple PCAs because they valued having completely separate pots of money that were easily accessible. There were three key reasons for using multiple PCAs:

- **Financial management:** these participants used separate PCAs to 'hold' different pots of money. Some of these participants described a process where their wages would be paid in to PCA 1, and then an amount of money would be transferred into PCA 2 (either a single or joint PCA) to pay bills. Any money left in PCA 1 would then be available to be spent or saved. In addition to transferring money from PCA 1 to PCA 2, some participants also transferred money from PCA 1 into PCA 3, and used this money as spending money or as savings.

- **Emergency money:** some participants had a "back pocket" PCA 'just in case' or for emergencies. This money was kept entirely separate, but was easily accessible if required. This money tended to be held as savings in the PCA, and the benefits of this lay in quick and easy access to savings, rather than any link to an overdraft facility on the additional account. The exception to this was one participant who held a paid-for current account as an additional account, as this provided him with a quick loan facility which was not available on his main PCA.

- **Competitive interest rate/deal:** a couple of participants had opened additional PCAs specifically to receive financial incentives. They either ended up using the additional PCA as their main one because they liked its functionality, or they did the minimum required in order to adhere to the terms and conditions of the PCA, for example: ensuring they had direct debit payments from PCA.

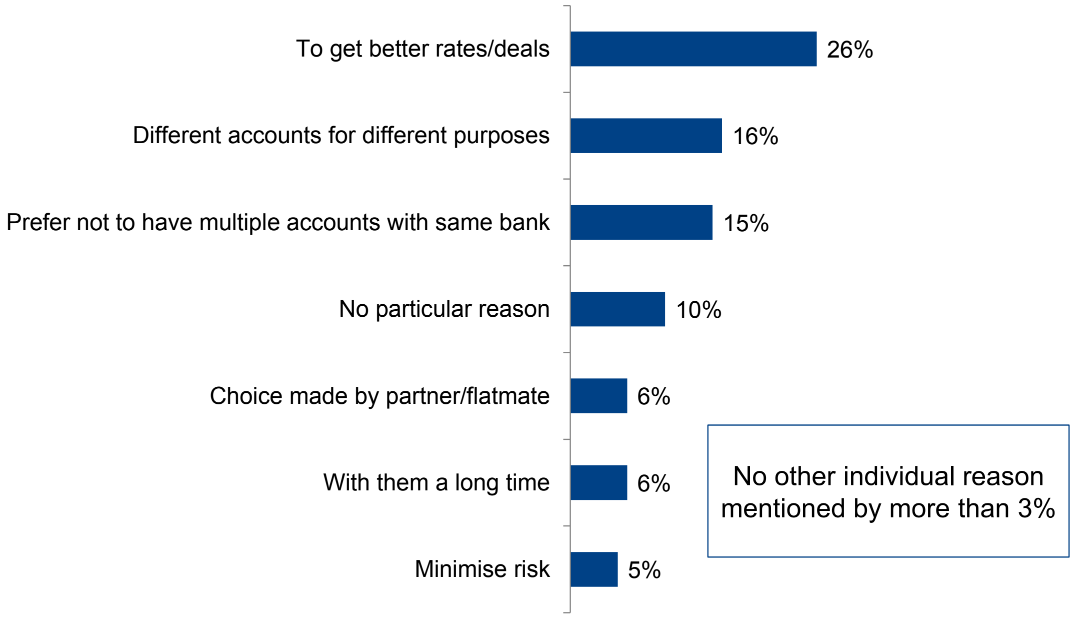
149. A couple of participants had PCAs that they no longer used but had not closed because of “laziness”. Some participants had an additional PCA because they had opened up a joint account and wanted a PCA where joint access was available.

4.6.3 Reasons for having PCAs with different banks

4.6.3.1 Quantitative findings

150. All who had PCAs with different banks were asked why they use different banks for their current accounts. A wide range of responses were given with a quarter (26%) saying they wanted to get better rates and around one in six saying they either wanted different accounts for different purposes (16%) or just preferred to have multiple accounts with different banks (15%).

Figure 29: Reasons for using more than one bank for current accounts



Base: All who use multiple current accounts with different banks (1,011)
B8 Why do you have more than one bank for your current accounts?

PCA Survey

4.6.3.2 Qualitative Findings

151. Across the qualitative sample there were only a small number of participants who had an additional PCA/s with a different bank/s. There were a number of reasons for having an additional PCA/s with a different bank/s:

- Joint PCA opened at partner’s bank
- Competitive interest rates/deals offered by another bank
- Desire to ‘spread the risk’ by not having multiple PCAs with the same provider
- Additional PCA opened after PCA or bank had been recommended by family or friends
- Additional PCA opened with the first bank participant saw on the high street

“Maybe after the financial crash, you feel like it’s good to have your eggs in more than one basket.” (Female, 3 PCA, FIIC, London)

“I find having different accounts helps me visualise and see things more clearly. That’s why I have different accounts. So my wages will go into one and I know basically how much my bills are each month. All my self-employed things go into my [named bank] and my salary goes into my [named bank]. ” (Male, 2 PCA, FIIC, Authorised overdraft, Sutton Coldfield)

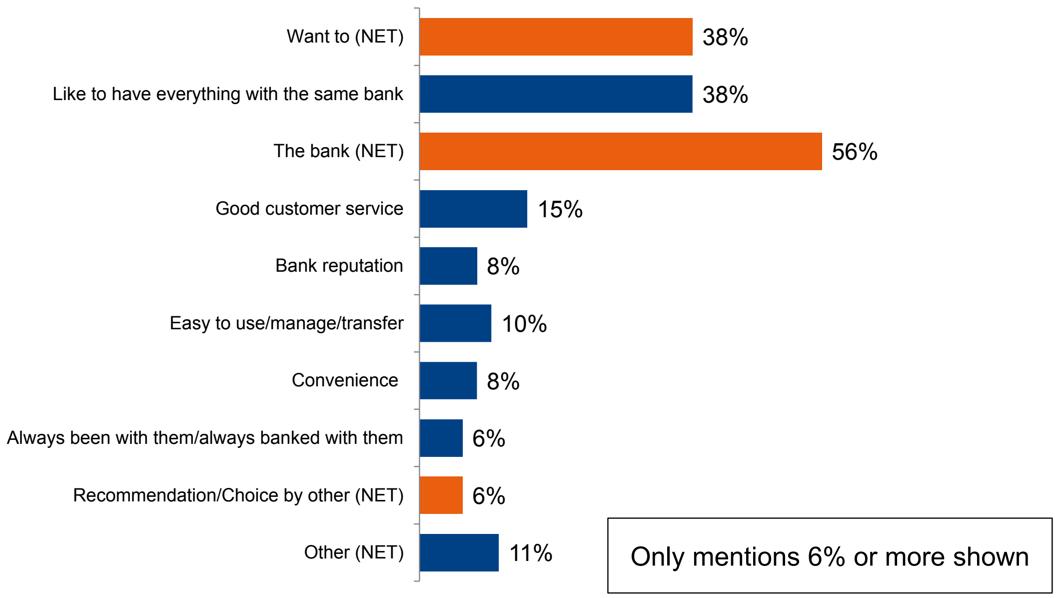
152. One participant had a PCA with an authorised overdraft that he used regularly. When his wages were paid into his PCA, they would automatically contribute to paying off his overdraft. He specifically opened an additional PCA with a new bank and made that his main PCA (where his wages were paid), so that he could prevent his wages from automatically paying off his overdraft and allow him to spend his money as he wished.

4.6.4 Reasons for having multiple PCAs with the same bank

4.6.4.1 Quantitative findings

153. All those who had multiple PCAs with their main current account bank were asked why they had all their current accounts with the same bank. The most frequently given reason was simply because they liked to have everything with the same bank (38%). A further 56% gave reasons to do with the bank itself for example good customer service (15%).

Figure 30: Reasons for having main current account with the same bank



Base: All who only have other current account(s) with the sampled bank (722)
B9 Why do you have {both/all} your current accounts with {bank}?

PCA Survey

4.6.4.2 Qualitative Findings

154. Across the qualitative sample there were only a small number of participants who had an additional PCA with the same provider of their main PCA. There were two key reasons for having an additional PCA with the same bank:

- **Ease:** these participants felt that because their bank already had their customer details, the processes involved with taking out new financial products were easier and faster, and the likelihood of any problems occurring were reduced. They also felt they saved time by not having to search for a new PCA, because the branch could advise them on what PCA would suit them best.

- **Money management:** online banking enabled some customers to see and access multiple PCAs on one platform.

4.7 Market Engagement

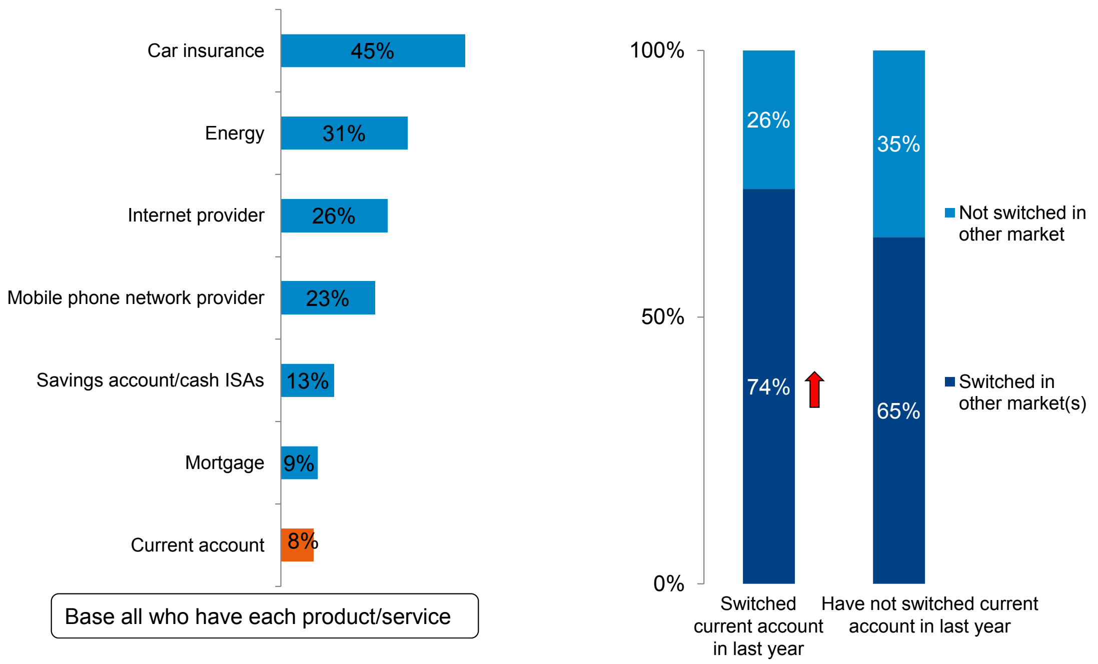
4.7.1 Switching in different markets

155. There are two types of switching behaviour within the current account market: within bank (i.e. switching current account within the same bank) and between banks. In this report we have defined "switching" as switching between banks only. There are also people who look around to see which other PCAs are on offer but either decide not to switch or have not switched yet. The process of looking around is treated separately below from the process of switching

156. Looking at the level of switching behaviour in the PCA against other markets, it is evident that PCA switching is at a relatively low level. Nearly half (45%) of those with car insurance had changed supplier in the last three years whilst nearly a third (31%) had switched energy provider. The prevalence of PCA switching was much less with just 8% reporting that they had switched their current account in the last three years.

157. Familiarity with switching providers is correlated with switching in the PCA market. Those who had switched their PCA provider in the last year were more likely to have switched provider in other markets (in the last 3 years), compared with those who had not switched their PCA supplier (74% v 65%).

Figure 31: Switched supplier in different markets in the last 3 years



Base: All who have each product/service (Mobile phone = 4,254, Car insurance =3,700, Current account = 4,549, Mortgage = 2,265, Energy = 4,136, Internet provider = 4,028, Savings accounts/cash ISAs = 3,684) | Switched current account between banks (253), not switched (4,198)
J1. In which if any of the following have you changed supplier within the last three years? If you don't have one of these please say so.

PCA Survey

4.7.2 Searching/Switching behaviour in PCA market

158. The majority of PCA holders had not taken any action to look at switching their main current.

159. In the last year:

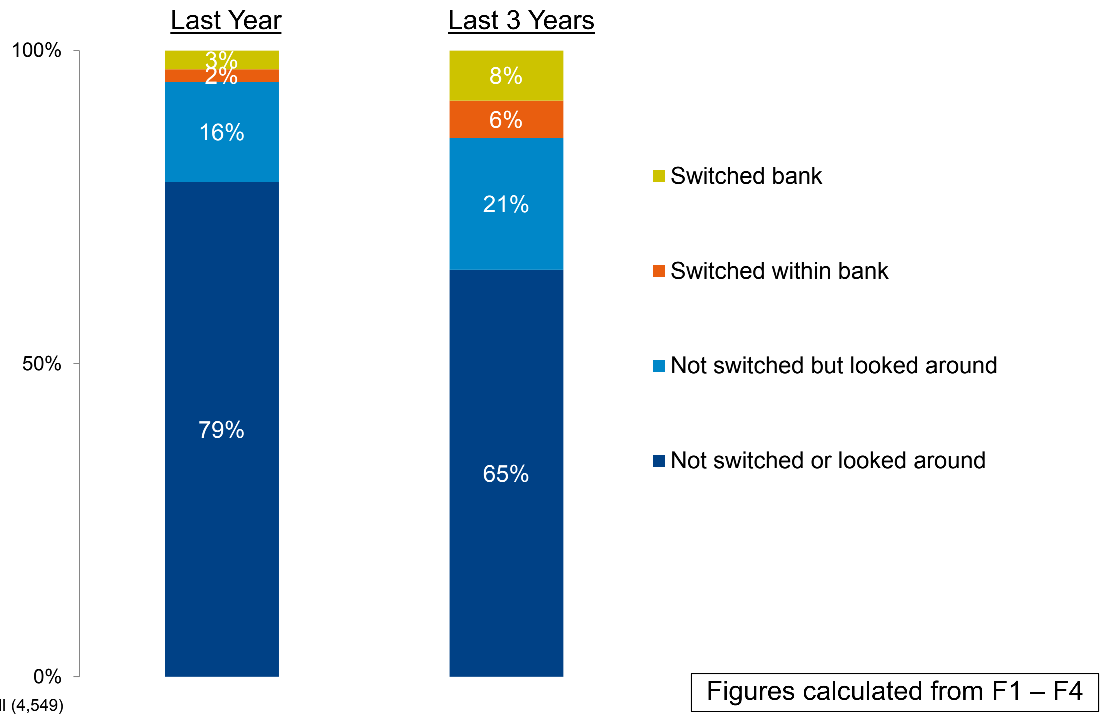
- Nearly four fifths (79%) said that they had not switched or looked around to compare current accounts in the last year.
- One in six (16%) had looked around to compare current accounts but had not switched.
- Only 3% reported that they had switched their main current account between banks in the last year.

160. Looking over a three year time period, just over a third of those who had looked around or switched (35%).

161. PCA holders in Northern Ireland were more likely than average to have not looked around in the last year to compare current accounts or switched (83% v 79%).

162. Overall current customers of Metro Bank (28%), Santander (9%) and the Nationwide (9%) were more likely than average (3%) to have switched their main current accounts to their current main bank in the last year. In contrast current customers of First Trust Bank (90%), Danske Bank (87%) and Barclays (85%) were more likely than average (79%) to have not looked last year to compare current accounts or switched.

Figure 32: Searching switching behaviour



Base: All (4,549)

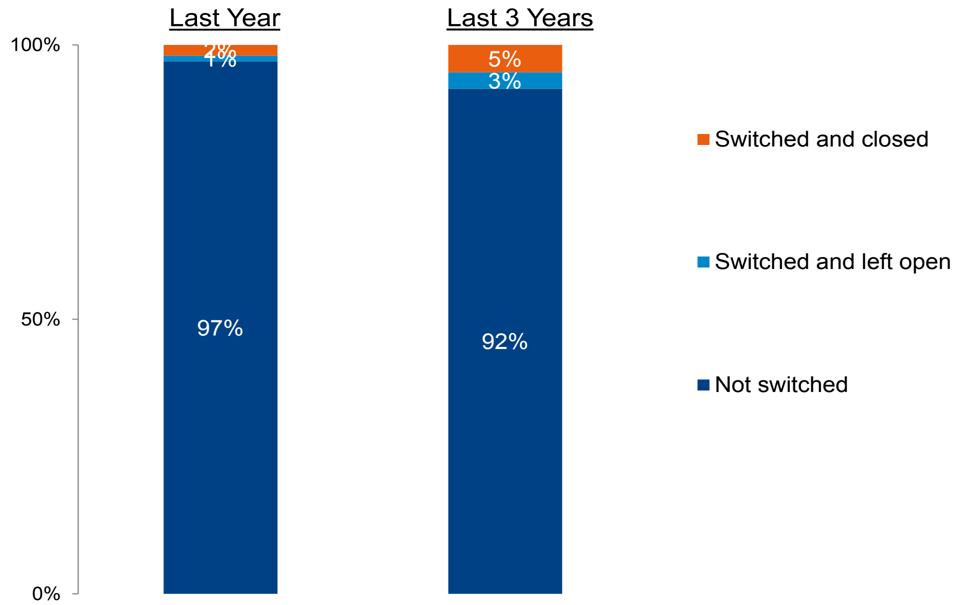
F1 In the last three years have you looked around to compare different current accounts? F2 When was the last time you compared different current accounts? F3 Have you personally changed your main current account in the last three years – this could be from one bank to another bank, or just from one account to another within the same bank? F4 When was the last time you changed your main current account?

PCA Survey

163. Whilst CASS switching requires that the previous current account is closed, it is possible for those who switched without using CASS to switch their main account to a new bank, while still leaving their old account open, and (once allowance is made for estimated numbers of CASS switchers) people were just as likely to leave their old account open as to close it.

164. Looking first at switching in the last year (3%), 2% had closed the old account and 1% had kept it open. Among the 8% who had switched their account in the last three years, the split was in similar proportions with 5% keeping their old account open and 3% closing it.

Figure 33: Whether closed previous main account



Base: All (4,549)

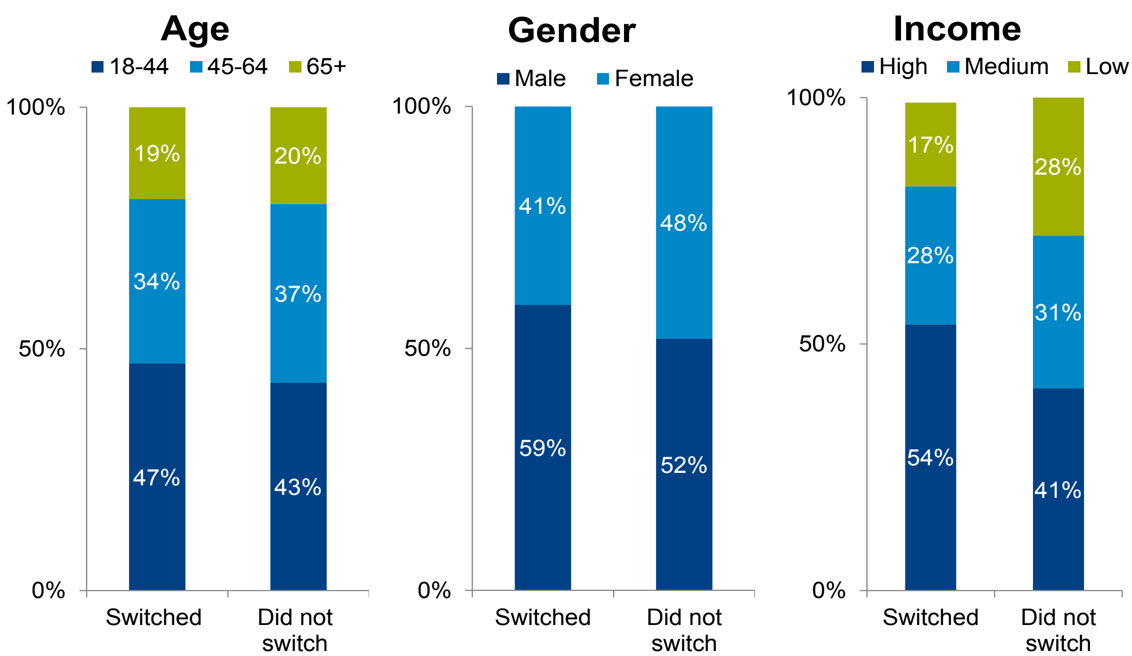
F3 Have you personally changed your main current account in the last three years – this could be from one bank to another bank, or just from one account to another within the same bank? F4 When was the last time you changed your main current account? F6. When you changed your main current account, did you...? D5 Thinking about the branch [of {bank}] that you use most often, if that branch was closed permanently, would you open an account with a bank with a more convenient branch or not? D6 And would you keep your account at {bank} open or would you close it/?

PCA Survey

4.7.3 PCA switcher profile

165. The profile of switchers and non-switchers in relation to age and gender are similar. Income tends to be more of a differentiator with a greater proportion of switchers being in the high income category (£24,000 or more) compared with the non-switchers (54% v 41%).

Figure 34: Profile of switchers versus non-switchers (last year)



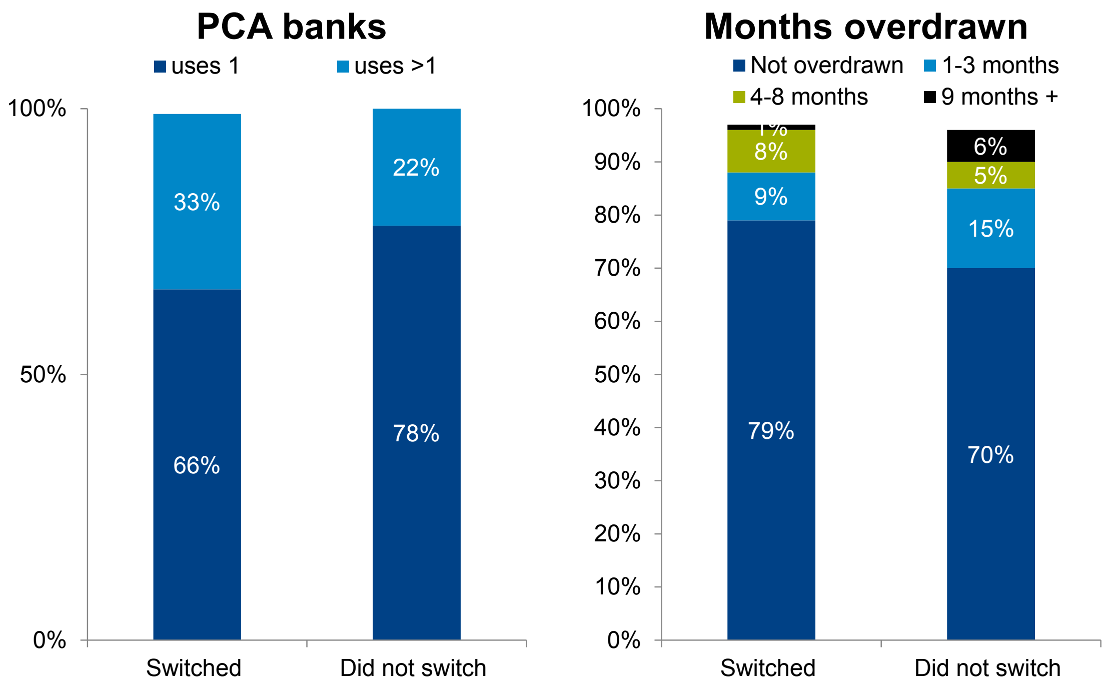
Base: Switched (339) – except for income (109); Did not switch (4,212) - except for income (3,081)

PCA Survey

K3a What was your age last birthday? K3b Code Gender. K7 Please could you tell me your own TOTAL income, BEFORE tax? This includes earnings from wages, benefits and pensions.

166. In addition those who had switched bank accounts in the last year were more likely than those who had not switched to have more than one personal current account (33% v 22% non-switchers) and to not have been overdrawn in the last year (79% v 70%). There is evidence from the qualitative work that some of these customers feel they are unable to change their bank as they do not think that an alternative provider would give them the same overdraft facilities (see section 4.8.2)

Figure 35: Profile of switchers versus non-switchers (last year)



Base: Switched (339) – except for income (109); Did not switch (4,306) - except for income (3,125)

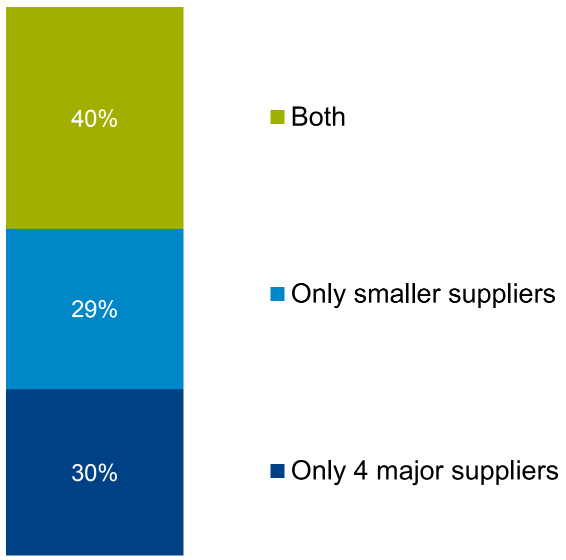
PCA Survey

B4 How many UK current accounts do you have with other banks apart from {bank}? G5 In how many months in the last year were you overdrawn? Please give your best estimate.

4.7.4 Scope of search

167. All those who had looked to compare different current accounts in the last three years were asked which banks they had considered when they last looked around. Similar proportions had only looked at the four major suppliers (30%) or only smaller suppliers (29%), whilst slightly more had looked at both types of suppliers (40%).

Figure 36: Whether search covered major or small banks (last time they searched)



Base: All who looked to compare different current accounts in the last three years (1,283)

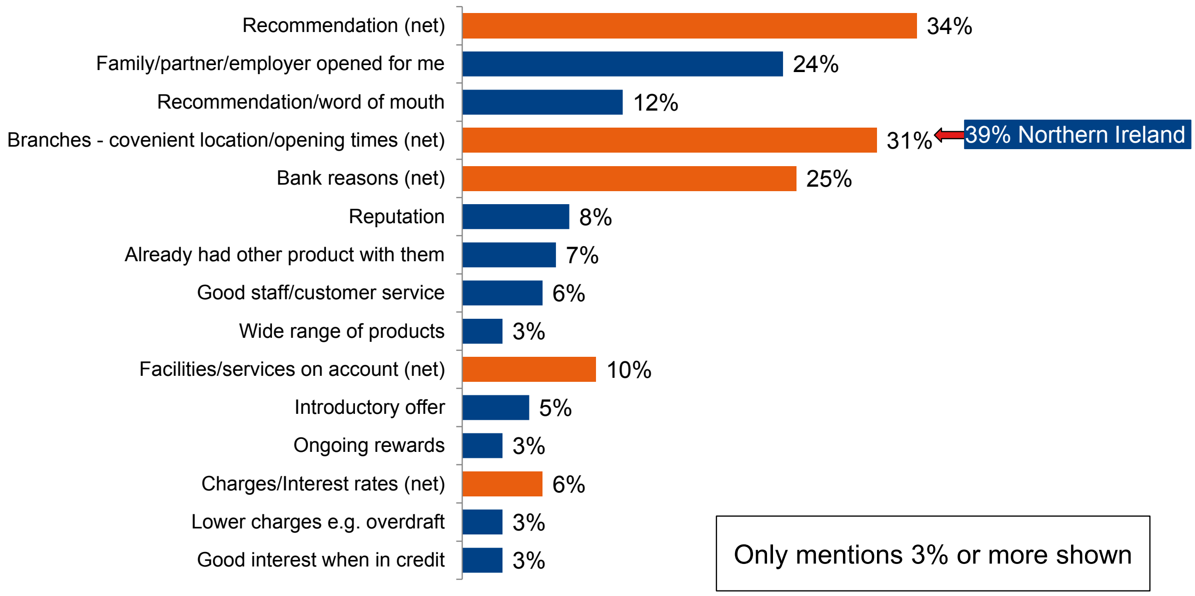
PCA Survey

F14 When you last looked around to compare different current accounts, which of the following banks did you consider?

4.7.5 Drivers of Market Engagement

168. All PCA holders were asked why they had chosen their particular bank for their main current account in the first place. Around a third said the reason for their choice was related to a recommendation (34%); in particular nearly a quarter (24%) reported that their family, partner or employer opened their main current account on their behalf, with just over one in ten (12%) saying that they chose their bank due to recommendation or word of mouth. The second most commonly mentioned reason for choosing a bank was the convenient location or opening times of the branches (31%) and this rose to nearly two fifths (39%) amongst PCA holders in Northern Ireland. Charges and interest rates were mentioned by fewer than one in ten.

Figure 37: Reasons why chose bank for main current account in the first place

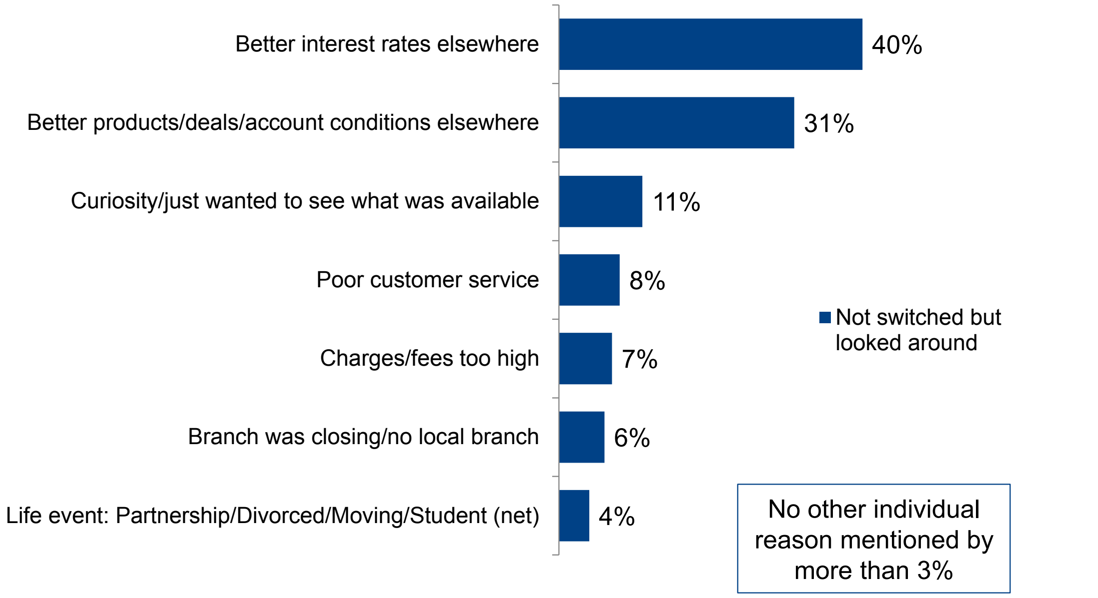


Base: All (4,549)
B2 Why did you choose {bank} for your main current account in the first place?

169. Those in Scotland and Northern Ireland were much more likely to give branch-related reasons, with 42% in Scotland doing so and 39% in Northern Ireland, compared with 30% in England and Wales.

170. PCA holders who had looked around but not switched in the last year o were asked what had prompted them to look around or switch. The top two mentions were better interest rates elsewhere and better products, deals or account conditions elsewhere

Figure 38: Triggers for searching – all who did not switch but looked around in the last year



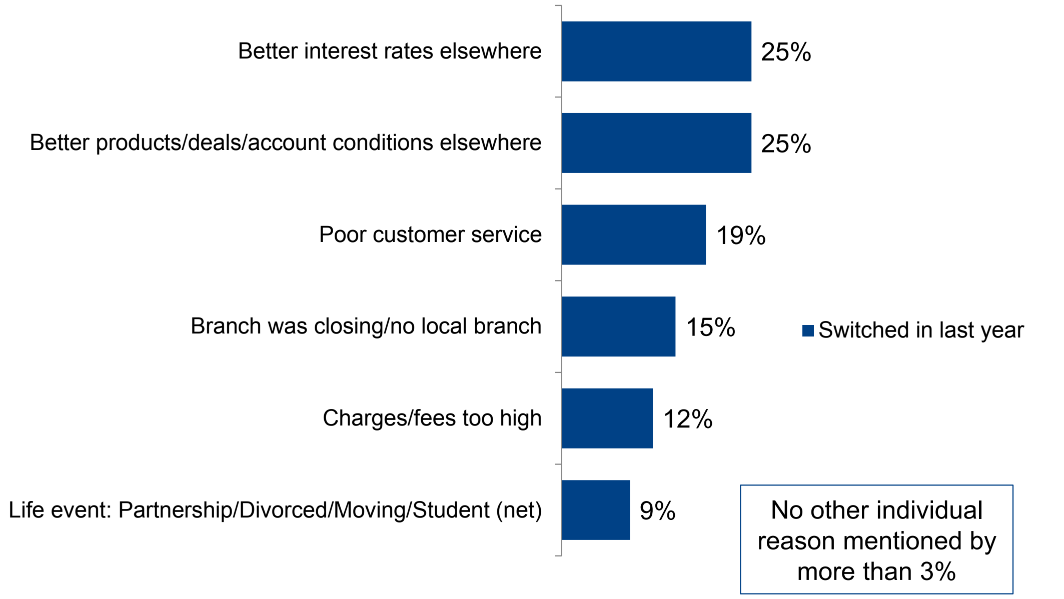
Base: All not switched but looked around (656)

PCA Survey

F7 When you last changed your main current account/last looked around, what made you think about doing that?

171. PCA holders who had switched in the last year o were also asked what had prompted them to look around or switch. Again the top two mentions were better interest rates elsewhere and better products, deals or account conditions elsewhere. However, "push" factors such as poor customer service, the branch closing, and charges being too high were mentioned as reasons for choosing a bank by around a fifth of those who had switched

Figure 39: Triggers for switching – all who switched in the last year



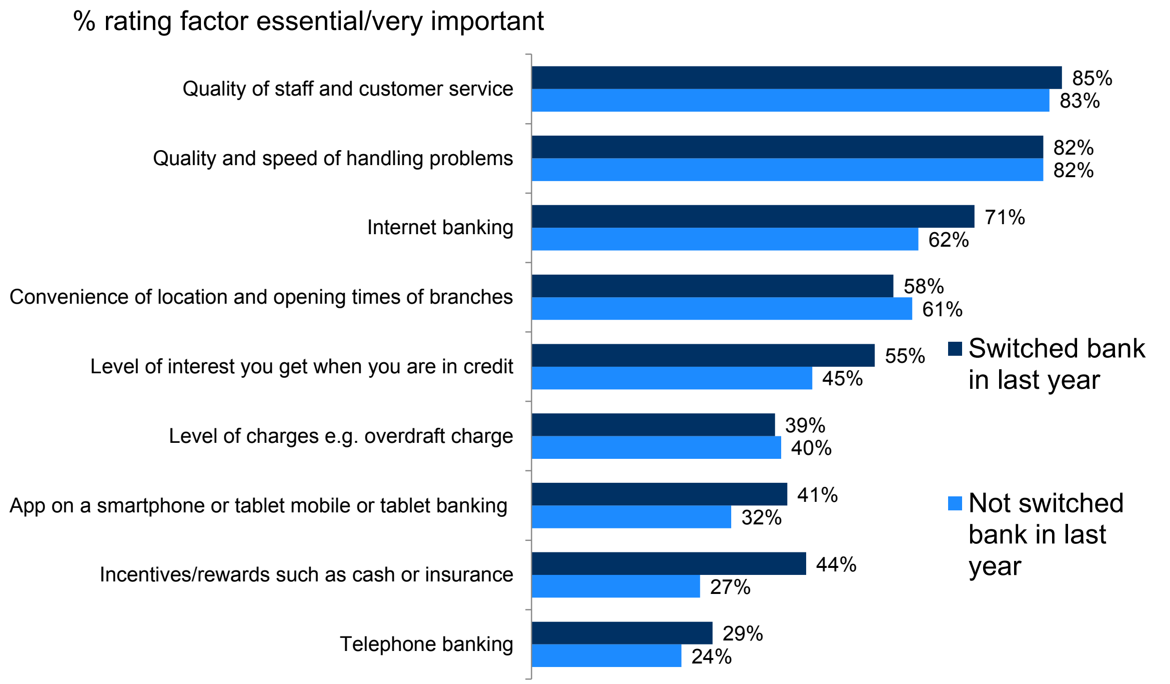
Base: All switched in the last year (339)

PCA Survey

F7 When you last changed your main current account/last looked around, what made you think about doing that?

172. Those who had switched in the last year were more likely (compared with those who had not switched) to think that the level of interest you get when you are in credit (55% v 45%) and incentives or rewards such as cash or insurance (44% v 27%) are essential or very important banking facilities. Channels such as internet banking and a smartphone app were also more important to switchers than to others.

Figure 40: Importance of factors – prompted rating

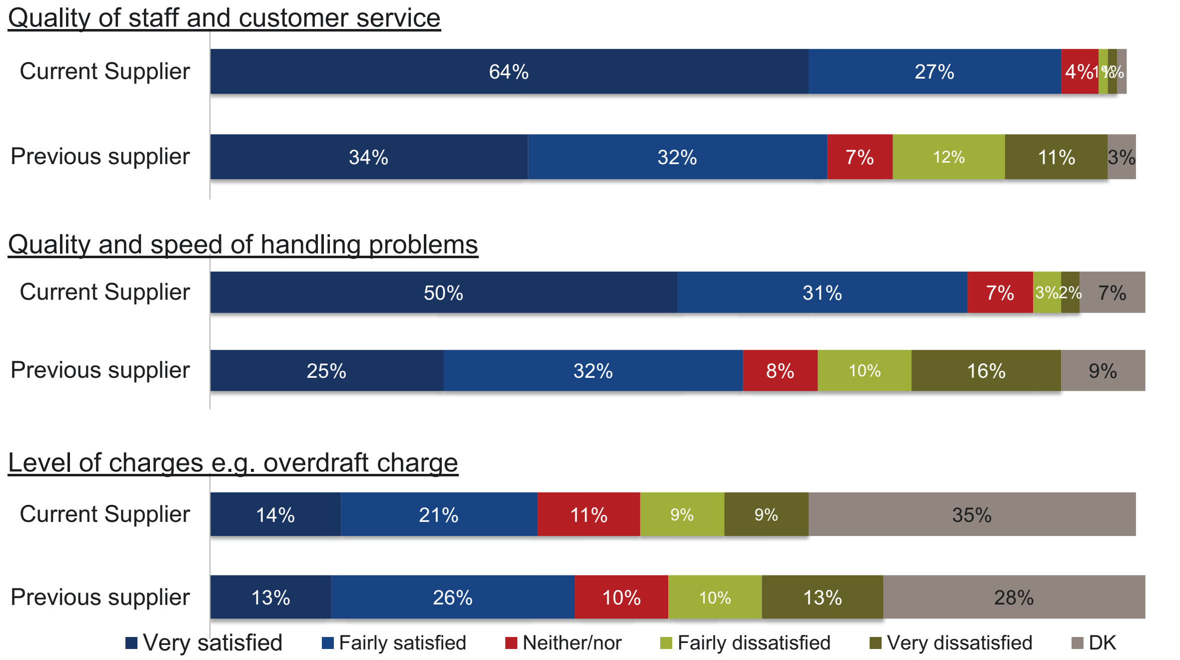


Base: All switched bank in the last year = 339; all not switched bank in the last year = 4,212

PCA Survey

173. All respondents who had switched personal current accounts between banks within the last three years were asked to rate aspects of their current account and their previous current account using a 5-point “Very satisfied” to “Very dissatisfied” scale. Satisfaction with the current supplier was much higher when compared to the previous supplier for both quality of staff and customer services (91% v 66%) and the quality and speed of handling problems (81% v 57%). On the other hand, satisfaction with levels of charges e.g. overdraft charges were very similar for both current and previous suppliers (35% v 39%).

Figure 41: Satisfaction with main current account supplier - Current v Previous (if switched banks)



Base: All who have changed main current account bank between banks in the last 3 years (649)

PCA Survey

F18. Thinking about your main current account bank with {}, before you switched how satisfied or dissatisfied were you with the following aspects of this account? E1. I am now going to read out a number of different aspects of bank accounts, and for each one I'd like you to tell me how satisfied or dissatisfied you are with your main current account, using the following scale.

4.8 Qualitative Findings: Financial incentives and interest paid on balances

174. Qualitative participants had mixed and complex responses around the use of financial incentives to attract consumers to PCAs. Only a very small number of qualitative participants had searched and switched PCAs. Therefore, participants' responses surrounding financial incentives were largely based on what they thought they would do, rather than being based on actual experience.

175. High financial incentives would have the potential to attract some participants, but there was also some degree of scepticism and negativity around the concept of banks offering financial incentives.

"Personally there is no amount of money that would make me switch. When a bank offers you money you want to know why" (Male, 2 PCA, FIIC, Authorised O/D, High value balance, Glasgow)

176. Many participants felt that financial incentives needed to be of high value (higher than the c. £100 typically on offer) in order to attract serious consideration, and to offset the perceived 'hassle' associated with switching PCAs. There were low levels of PCA dissatisfaction amongst most qualitative participants, and therefore little perceived reason to switch PCAs. This meant that for many participants any effort involved with switching PCAs was seen as being too much effort.

177. At the same time, many participants expressed scepticism about how free the financial incentives really were, and felt that there must be a 'catch' involved where consumers would end up paying the incentive back at some point. Furthermore, the concept of offering financial incentives to attract new customers was viewed with some negativity. Some participants thought that banks

were paying for financial incentives by using existing customers' money, and felt that it was unfair of banks to do this. Participants thought that rather than rewarding new customers, banks should be offering rewards to existing customers, such as higher rates of interest. Some participants also viewed financial incentives as being a bribe and struggled to connect how the incentive was linked to any features of the actual product. This gave the impression to some participants that financial incentives 'floated' above the actual product, and had little to do with the PCA itself.

"You end up paying in some way…no one does anything for free…there must be catch I'm not seeing, even if it is upfront…." (Male, 2 PCA, FIIC, authorised O/D, Cardiff)

178. However, some participants felt that if they were going to consider searching and switching PCAs, financial incentives would play a role in aiding comparison. For these participants, a motivating incentive amount would be likely to be in excess of the £100 that participants had regularly seen offered, an incentive in the region of £150 would be more likely to prove motivating. However, as there were significant barriers to switching for some participants, these participants tended to cite even higher figures such as £500 as the minimum amount that would make switching worthwhile to them.

179. Most qualitative participants viewed the idea of banks offering interest on current account balances (as an incentive to switch PCA) as less appealing than one-off financial incentives. It was felt by some that having interest paid on the balance of the PCA would not be attractive to those with little money in their PCA at the end of the month. Furthermore, many participants felt that interest rates were very low currently, and therefore paid interest was seen to have little intrinsic value.

180. However, there was some appeal to the idea of paid interest being linked to savings account rather than PCAs, and overall the idea of earning money on money was appealing to many participants: rather than being viewed as a bribe, it was seen as rewarding loyalty and as banks adopting a long-term service approach to customers.

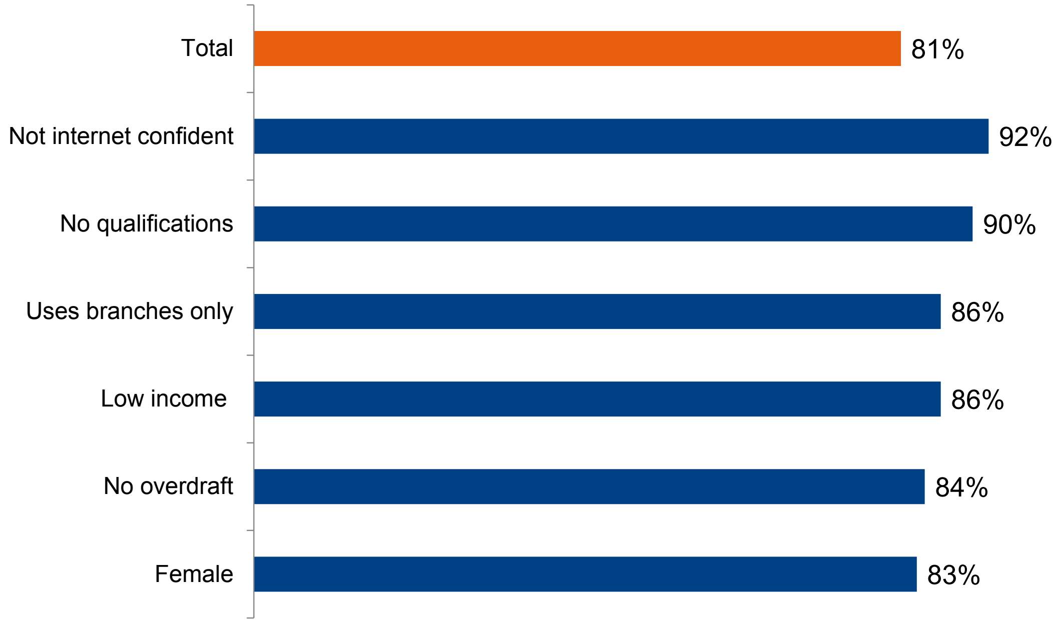
"Why can banks give better interest rates to some people in their current accounts, why can't it give it to people who have savings accounts?" (Female, 1 PCA, Basic Bank Account, Glasgow)

4.9 Barriers to market engagement

4.9.1 Quantitative findings

181. Four in five (81%) of respondents had not looked around in the last year to compare PCAs. Sub-groups that were less engaged than the average were women (83%), those with no arranged overdraft (84%), the low income tercile (86%), and those who use branches as their only channel of banking (87%). Even less engaged still were those with no qualifications, where 90% had not looked around in the last year, and those who are not confident using the internet where the figure was as high as 91%.

Figure 42: Those not looked around in last year



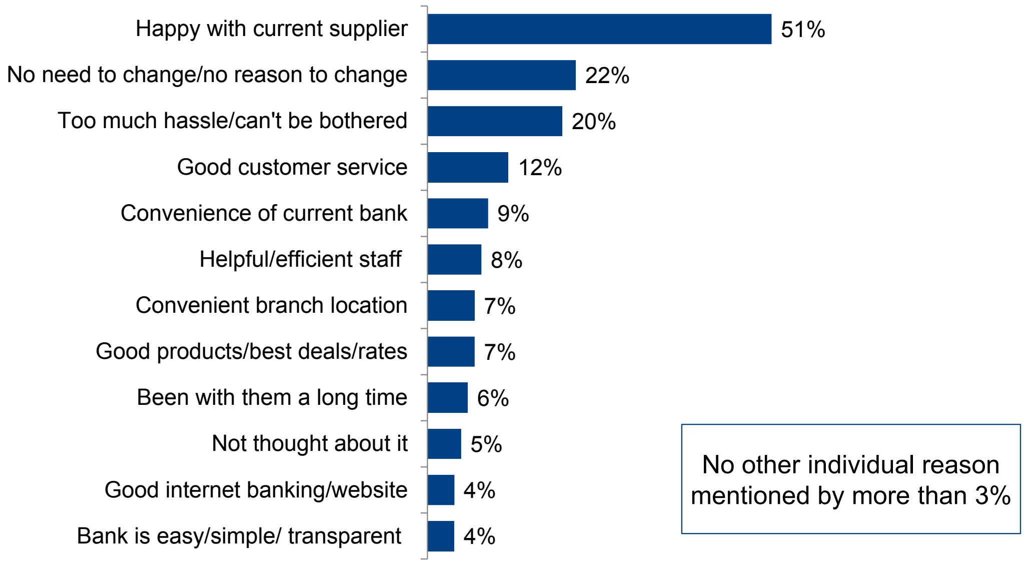
Base: All who have not looked around in the last year (3,436), not internet confident (522), no qualifications (431), uses branches only (1,119), low income (966), no overdraft (1,650), female (2,202)

PCA Survey

F1 In the last three years have you looked around to compare different current accounts? F2 When was the last time you compared different current accounts? Was it in the last 12 months or longer ago than that?

182. Those who had neither switched nor even looked around in the last three were asked why they had not considered changing their PCA provider. Answers were given unprompted, and coded as part of the analysis process. The most commonly mentioned reason given for not looking around was that they were happy with their current supplier (51%). Around a fifth said that they had no reason to change (22%) or that it was too much hassle/couldn't be bothered (20%).

Figure 43: Barriers – why not looked around/ switched (in last 3 years)[3]



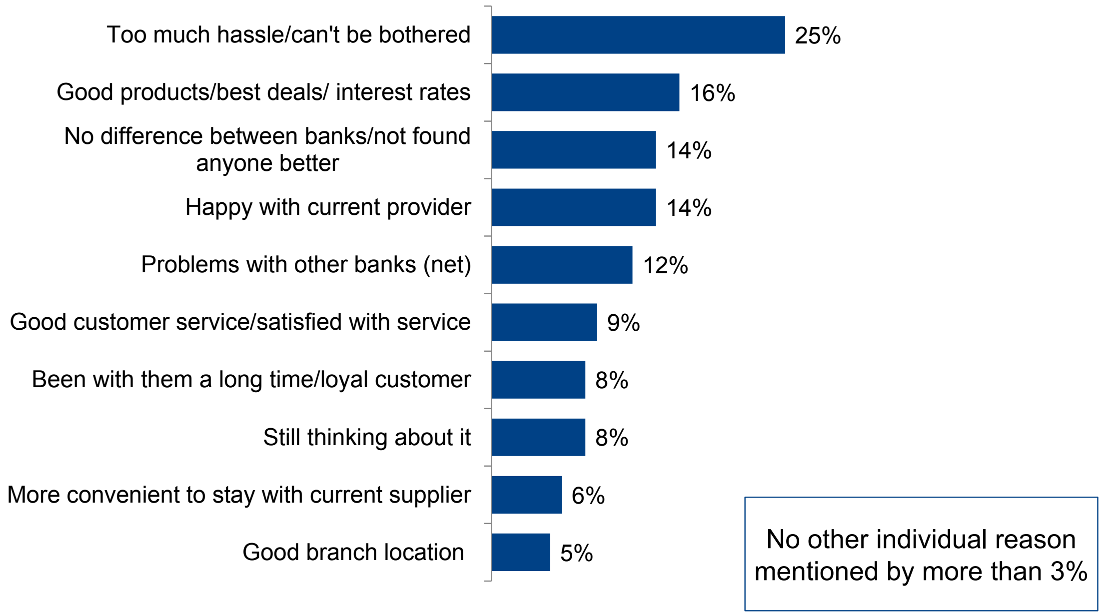
Base: All who have not switched or looked around in the last 3 years (2,781)
F9 Why have you not considered changing your current account in the last three years?

PCA Survey

183. Those who had looked around for a new PCA provider in the last year, but had not actually gone ahead and switched, were asked why they had not switched. The broad pattern of responses was similar, with the most often cited reason being that it was too much hassle or that people couldn't be bothered (25%). Satisfaction with the current bank, in the form of good products, deals or rates, was the second most common (16%), closely followed by those who were happy with their current bank, and those who saw no difference between the banks, or who could find no better deals (each 14%).

[3] More detailed information on the list of mentions at F9 is provided in Appendix A

Figure 44: Barriers – why not switched after searching (in last year)

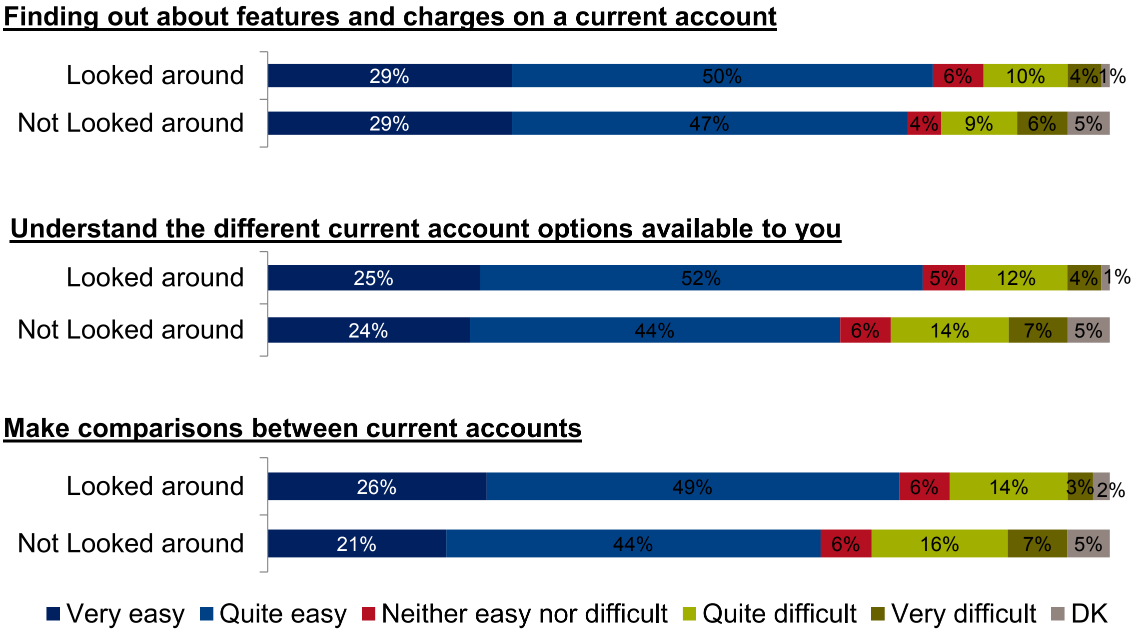


Base: All who have looked around but not switched in last year (575)
F15 You say you have looked around, but didn't change your main current account. Why didn't you do that?

PCA Survey

184. Given the proportion who said their reason for not switching or not looking around was that it was perceived to be too much hassle, it is informative to look at people's expectations of looking around and switching. Those who had not looked around were asked how easy or difficult they thought it would be to find about the features of different accounts, to understand the differences between them, and finally to make comparisons between accounts. Those who had looked around were asked how easy or difficult they had expected these same things to be before they started looking around. For each of these aspects the expectation was that it would be very or fairly easy, with between two-thirds to three-quarters saying this, and this was true both of those who looked around and those who had not looked around. This suggests that concerns about the difficulty of looking around and comparing providers are not a significant barrier to engagement.

Figure 45: Ease of comparing different current accounts - Expectation



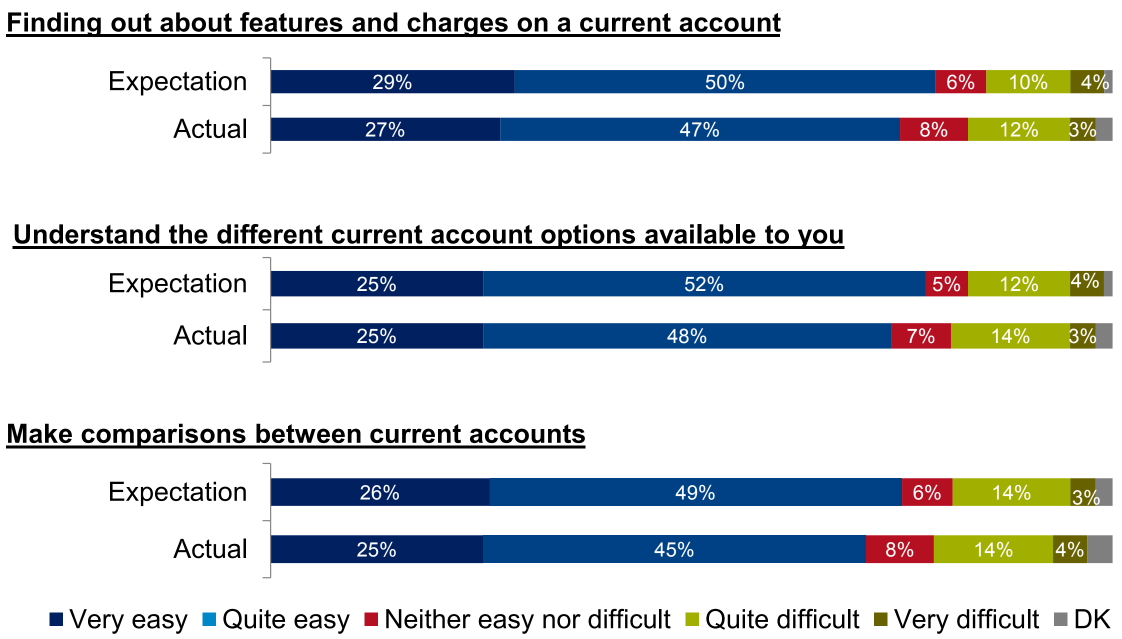
Base: All who looked around to compare different current accounts in the last three years (1,283), NOT looked around in last 3 years (3,258)

F11 I am now going to read out different aspects of shopping around, and I'd like you to tell me how easy or difficult you think each aspect would be if you were to shop around for banks (IF NOT LOOKED AROUND) / you expected it would be before you started looking around to compare different accounts (IF LOOKED AROUND IN LAST 3 YEARS)

185. Those who had looked around were then asked how easy or difficult each of those same three elements of the task had been in practice, and for each element the practice had been as easy or difficult as they had expected it to be.

186. In terms of barriers to engagement this is not very important in its own right – these were people who had already engaged – but people tend to talk to others about their experiences if they have problems, and were the actuality much more difficult than the expectation there is a risk of a popular narrative being developed that may have acted as a barrier to engagement for others.

Figure 46: Ease of comparing different current accounts - Expectation vs. Actual (Those who looked around)



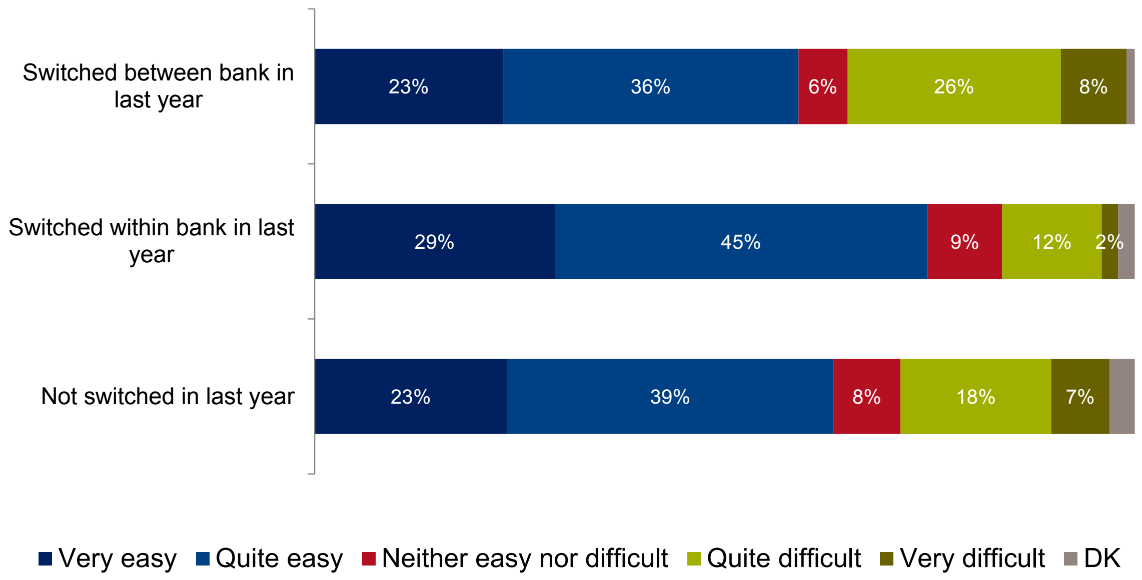
Base: All who looked around to compare different current accounts in the last three years (1,283)

F11 I am now going to read out different aspects of shopping around, and I'd like you to tell me how easy or difficult you expected it would be before you started looking around to compare different accounts F13 And in practice how easy or difficult did you actually find each of these when looking at different banks?

PCA Survey

187. In similar vein, those who had not switched were asked to say how easy or difficult they thought the process of switching would be, while those who had switched were asked how easy or difficult they had expected in advance that it would be. The actual process of switching was expected to be more difficult than the task of shopping around. For example, one in three of those who had switched between banks in the last year thought the process would be very or fairly difficult, and a quarter of those who had not switched said the same.

Figure 47: Ease of changing account (process) - Expectation

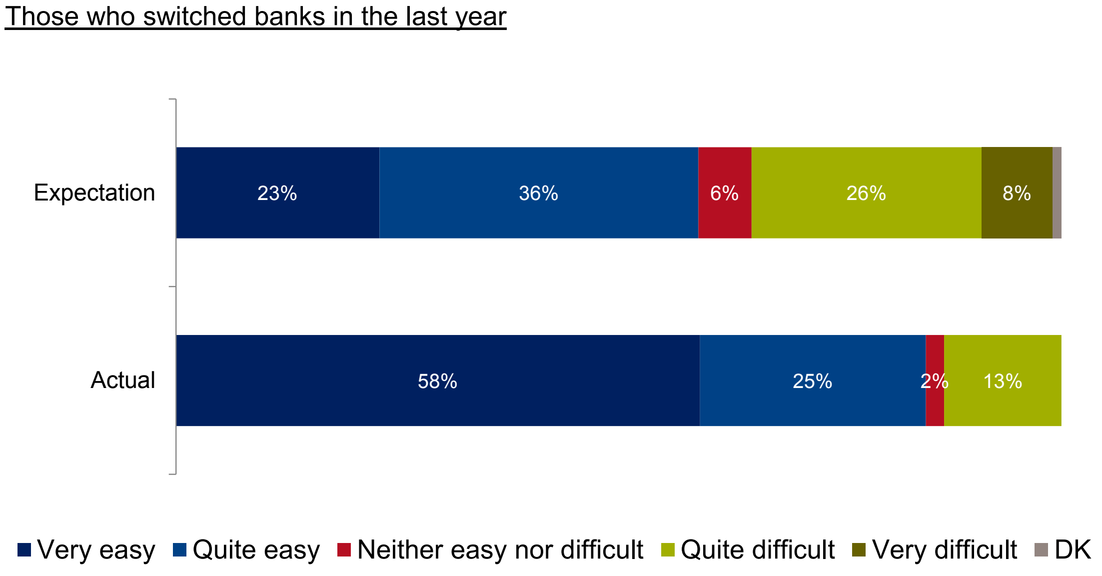


Base: All who switched bank in the last year (339), All who switched within bank in the last year (120), Not switched in last year (4,092)
F12 How easy or difficult {did/would} you expect the process of changing your account to be?

PCA Survey

188. Those who had gone ahead and switched banks were asked how easy or difficult the switching process actually turned out to be. More than four fifths (83%) said that switching had actually proved to be very or fairly easy. It is worth noting that a third of all customers had expected the switching process to be to be very or fairly difficult.

Figure 48: Ease of changing account (process) - Expectation vs. Actual



Base: All who switched in the last year (339)

PCA Survey

F12 How easy or difficult did you expect the process of changing your account to be? F14A And in practice how easy or difficult did you actually find the process of changing your account?

4.9.2 Qualitative findings

189. The qualitative research identified six key barriers to searching and switching PCAs. These barriers are described below, in no particular order.

Lack of knowledge

190. It became clear in the qualitative research that some participants would not know how to go about comparing PCAs (this was discussed theoretically as so few participants had compared PCAs). In contrast to other financial products, which were thought to have discernible features that could be compared on price comparison websites, some participants viewed PCAs as generic products that had little differentiation. There were three key reasons contributing to why there was a lack of knowledge for some around how they would compare PCAs:

- PCAs have been historically free, which gave a sense amongst most participants that there was no need to compare PCAs for the best deal, because they were effectively the same generic product.

"It goes back to it's just a current account – I can't see what it's going to offer me for free, apart from being a few pence cheaper on an overdraft. But it does need to draw out the price and details for an unarranged overdraft, because one of my friends got stung for that daily – so do they cap? Or do they keep on charging? Do you pay daily, or a one-off fee?" (Female, 1 PCA, FIIC, Authorised overdraft, Sutton Coldfield)

- PCAs worked almost invisibly in the background to bring about the processes that enabled participants to manage their day-to-day finances. This meant that although PCAs were very important for day-to-day financial management, they were not necessarily top of mind for participants unless there was an issue with them. The reason PCAs were so important was because they allowed participants to focus on other parts of their lives knowing that their day-to-day financial management was running efficiently and effectively.

- PCAs have smaller balances compared to other financial products such as savings accounts and mortgages, which meant that any benefits offered to customers are less important.

Low levels of dissatisfaction

191. Many qualitative participants experienced low levels of dissatisfaction with their PCAs, which meant they felt they had little incentive to search and switch PCAs.

"I always find that if you're happy with what you've got, why change it? The age-old saying: 'if it's not broken then why fix it?'" Male, two PCAs, high value balance, Wales

192. The role of the PCA was as an 'enabler' for most of the qualitative sample (as most of the participants had a free-if-in-credit PCA). This meant the PCA worked almost invisibly in the background to bring about the processes that enabled participants to manage their day-to-day finances.

"A lot of the reason I'm satisfied is because it's me. Everything I do I'm doing it - they're allowing me to do what I need to do". Male, Retired, N. Ireland

193. Most participants felt they had simple needs with regard to their PCA. These 'simple' needs involved day-to-day transactions such as having their wages/pension paid in, paying direct debits, accessing money, transferring money, and so on.

194. These perceived simple needs often meant that most participants had minimal expectations of their PCA - they did not appear to require their PCAs to do much beyond allowing them to manage their day-to-day finances in an efficient and effective way. Apart from the occasional transactional-based problems that a small number of participants had experienced, and which were mainly accepted as being issues that are bound to arise when there is a system in place, most participants experienced little dissatisfaction with their PCAs because their PCAs enabled them to manage their day-to-day finances.

"I'm happy and content with my bank…I've no problems with them." Female, self-employed, N. Ireland

Fear

195. Some qualitative participants were fearful that a problem could arise in the process of switching PCAs. This led to the perception for many that switching PCAs was not worth the perceived "hassle", and therefore not worth the associated risk of switching.

196. It is worth noting here that only a small number of participants in the qualitative sample had switched PCAs. Therefore, the fear that a problem could arise in the process of switching PCAs, and the associated perceived "hassle" and risk, was based on perception rather than experience. The participants who had switched PCAs had actually not encountered any problems with the process.

"I think they need to make people aware of how easy it can be. I know that some banks offer money, but if you still have to do all that hard work, is it worth that £100?" (Female, 1 PCA, FIIC, Sutton Coldfield)

197. Some participants were concerned that a problem might lead to them being unable to access their money or unpaid direct debits. They were concerned that if direct debit payments were not honoured they could incur penalties for missed payments. Some participants in the sample who had an authorised overdraft were also concerned about not knowing in advance of switching PCAs whether the authorised overdraft offered by the new provider would be of the same value and have the same conditions as their current authorised overdraft. These participants were worried that after switching PCAs they could find out the new authorised overdraft compared unfavourably with their previous authorised overdraft.

198. The concern that a problem could arise in the switching process lead many participants to feel that switching was too much "hassle". This, combined with a lack of knowledge around what is involved with switching PCAs, low levels of dissatisfaction with PCAs, and the perception that there is little differentiation between PCAs meant many participants felt that switching PCAs was not worth the risk. In a switching context, PCAs represented a high risk because they were intrinsic and fundamental to everyday life.

"It's inviting unnecessary hassle. If something went wrong in a change-over of direct debits stopping and starting, it's just too much hassle. Why change it when it doesn't need it. [named bank] are providing me a service and I'm happy with that service, so why change it?" (Female, 1 PCA, FIIC, authorised O/D, Harrow)

Customer value

199. Some qualitative participants, particularly some of those who had a lower income and/or had historical or current poor financial management, were concerned that they would not be eligible for a new PCA. This concern fell into two categories: concern over meeting the perceived terms and conditions of a new PCA; and concern over poor financial management/reliance on an authorised overdraft.

200. Many participants tended to view their PCA needs and use as simple. Some of these participants, particularly those with a more modest income, felt that PCAs that offered financial

incentives to attract new customers were aimed at consumers with more complex financial needs. They felt that they would not qualify for a new PCA according to the terms and conditions of the PCA, on the basis that:

- The monthly amount was paid into their PCA would be too low
- The average balance of their PCA would be too small
- Their PCA usage was too simple or basic

201. It is worth noting here that these participants appeared not to have done any/much research about the terms and conditions of other PCAs. Some of them mentioned that their assumptions were based on 'headline' terms and conditions where adverts for PCAs caveated that a minimal monthly amount must be paid in to the PCA, or that a certain number of direct debits must be paid, in order to qualify for the PCA. This would suggest that if at this point a consumer does not think they will qualify for a PCA, they are unlikely to do any further investigation to check whether this is the case.

202. Some participants, particularly those who relied on their overdraft for everyday living, were concerned that a new PCA provider would not want them as a customer. Some felt that historical or current poor financial management would limit their choice of PCA providers. This was based on the perception that PCA providers have a 'right' to choose customers and that those with poor financial management, or modest incomes, would not be desirable.

Loyalty

203. Many participants struggled to describe the interactions they had with their PCA provider in terms of a relationship. Many participants did not feel they had a relationship with their bank (although a few participants did feel they had a relationship), but had a sense of what could be described as 'mutual loyalty'.

204. This mutual loyalty was based on the idea that the longer participants gave a bank their custom, the more they would be rewarded by that bank. There were three key perceived benefits of being a long-term customer (in no particular order):

- **Banking processes are made easier:** this was the view that if a consumer chooses to take a financial product out with their PCA provider, the process of opening the new financial product will be made easier because the bank already has the customer's details. This can act as an incentive for consumers to choose financial products with the same provider. It could be assumed that this principle would apply more to consumers who have one PCA and few financial products, or all their financial products with the same provider.

- **Better deals are offered to long-term/loyal customers:** this was the view that the more products a customer had with a bank, the better deals they would be offered when they took out a new financial product with that bank.

- **Proven customer track record:** this was the view that the longer a customer is with a bank, the better the bank will know them as a customer and the more willing a bank will be to exercise flexibility and address any problems for the customer.

Authorised overdraft usage

205. Some regular authorised overdraft users felt their PCA choice would be constrained by the use of their overdraft. There was a perception amongst some participants who regularly used their authorised overdrafts that consumers were unable to change from their current PCA provider

until they were able to pay off their overdraft. On a similar, but slightly different point, some participants thought that a new PCA provider would want to see a PCA in ‘credit’; in other words, that the authorised overdraft was not currently in use. As previously described, some participants were concerned about not knowing in advance of switching PCAs whether the authorised overdraft offered by the new provider would be of the same value and have the same conditions as their current authorised overdraft. Some were additionally worried that after switching PCAs they could find out the new authorised overdraft compared unfavourably with their previous authorised overdraft.

4.10 Cost of banking

4.10.1 Charges paid

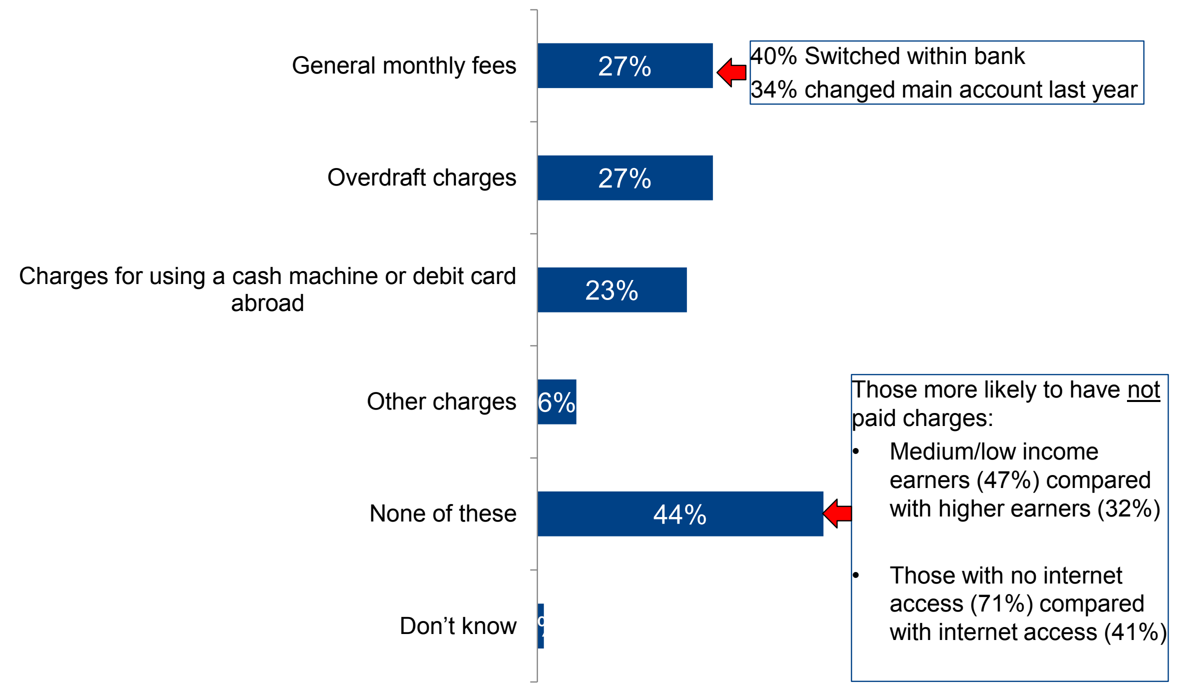
4.10.1.1 Quantitative findings

206. According to the account information supplied by the banks as part of the sampling process, 22% of respondents pay a monthly fee on their main current account. However, when respondents were asked what charges they paid on their account 27% said that they paid a monthly fee. And it was not simply a case of 5% thinking they did when the bank records suggested they did not: of those whose bank records showed that they paid a monthly fee only 73% said during the interview that they paid one, while 14% of those whose records showed they did not pay a monthly fee said that they did.

207. Those who had switched within bank were more likely to say they paid a monthly fee (40%), as were those who had switched to a different bank in the past year (32%).

208. One in four said they paid overdraft charges (27%) and that they paid charges for using a cash machine or credit card abroad (23%). A little under half said they paid no charges at all (44%), and these were more likely to be low income earners (47% compared with 32% of higher earners) and those without internet access (71% compared with 41% of those with internet access).

Figure 49: Charges paid on current account in last 12 months



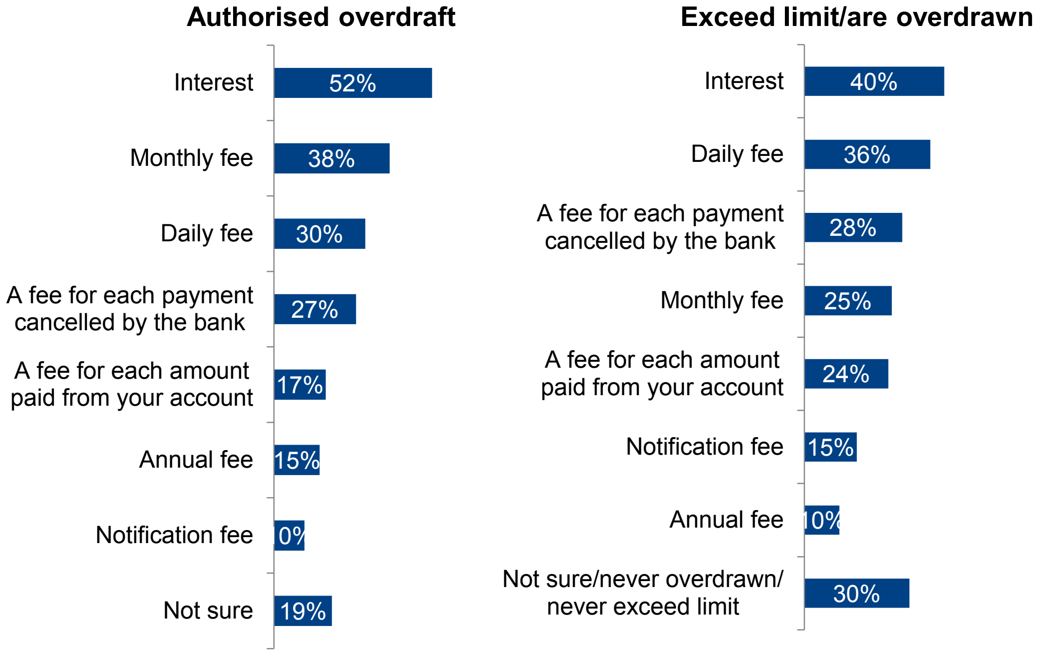
Base: All (4549) PCA Survey

G1 Which, if any, of the following charges have you paid on your current account in the last 12 months?

209. Those who had been overdrawn in the last 12 months – whether authorised or not – were asked what was included in the charges they paid when they were overdrawn. Looking first at those who used their authorised overdraft, half said they paid interest (52%) with 38% saying they paid a monthly fee and 30% a daily fee. A quarter said they paid a fee for each payment cancelled by the bank (27%), and 17% said they paid a fee for each amount paid from their account. Less common were an annual fee (15%) and a notification fee (10%). It should be noted that 19% said they were not sure what overdraft charges they paid.

210. Those who had exceeded their authorised overdraft, or who had gone overdrawn without having an authorised overdraft, were asked what fees they paid for doing so. The results were broadly similar, though 30% said they never went overdrawn/never exceeded their limit. Interest and daily fees were the most common, paid by 40% and 36% respectively, followed by fees paid for each cancelled payment (28%). Monthly fees were relatively less common than for authorised overdrafts (25% for unauthorised, compared with 38% for authorised), and were no more common than fees for each amount paid from the account (24%).

Figure 49: What included in payments



Base: G9 All who have been overdrawn on their main account at any time in the last 12 months and have an authorised overdraft (947); G10 All who have been overdrawn on their main account at any time in the last 12 months (1235)

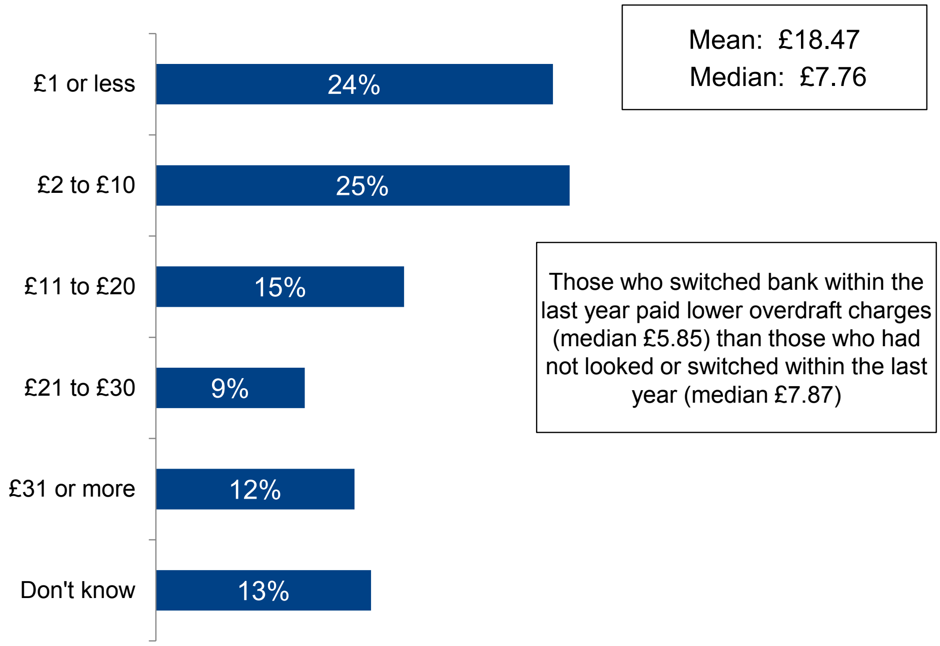
PCA Survey

G9 Which of these are included in what you pay for your AUTHORISED overdraft? G10 Which of these are included in what you pay when you (exceed your overdraft limit/are overdrawn)?

211. Those who had been overdrawn at any time in the past 12 months were asked, what was the average fee they paid for each month overdrawn. A quarter paid £1 or less a month, and a further quarter paid between £1 and £10 a month (24% and 25% respectively). At the other end of the scale 12% said they paid £31 or more. The median monthly amount paid was £7.76, but because of the minority paying £31 or more the mean amount was much higher at £18.47.

212. Those who switched bank within the last year paid lower overdraft charges (median £5.85) than those who had not looked or switched within the last year (median £7.87).

Figure 51: Average amount per month charged for overdraft



Base: All who have been overdrawn on their main account at any time in the last 12 months (1,235)

G11 Thinking about the X months that you were overdrawn, what was the average amount that you were charged for your overdraft in a month, whether authorised or not?

PCA Survey

4.11 Qualitative Findings: Perception of free banking

213. Banking was widely perceived by most qualitative participants as being free and part of an exchange: customers gave banks their money in order for banks to make more money and, in exchange, banks did not charge their customers for having and using PCA facilities.

214. At a top of mind level banking was considered to be free by most qualitative participants. It was considered free in the sense that consumers did not have to pay upfront costs for a PCA and were not charged for using standard PCA facilities. It was also considered to be free because PCAs existed where consumers could choose to pay a fee in exchange for packaged account benefits or for use of an authorised overdraft.

"I think I get free banking. It's important, I don't want to get charged. The banks make money – they get interest on all our money. They're borrowing all our money – that's how we're paying for it." (Female, 1 PCA, FIIC, Sutton Coldfield)

215. However, when asked, many participants recognised/described how PCAs were 'paid for' by banks receiving customers' funds to make more money. For many, this exchange reinforced the notion that banking should be free in the sense that consumers do not have to pay upfront costs for a PCA and are not charged for using standard PCA facilities.

4.12 Qualitative Findings: Response to the idea of introducing a PCA fee

216. The introduction of a fee (the scenario assumed one bank in isolation introduced a fee for PCAs) was highly likely to trigger searching and switching for many qualitative participants, with the possible exception of heavy overdraft users.

217. If a fee was introduced with no additional benefits provided it was felt that this would be highly likely to trigger searching and switching, because consumers would be asked to pay for something that was previously free. This scenario was also felt to contribute to a product mystification: if a fee was introduced, what would it be for? It was also felt to reinforce negativity around the banking sector, in particular around greed and bankers' bonuses.

"I would be against paying a fee for someone having my money. Probably because I've just got used to the idea of them having my money and paying interest." (Female, 3 PCA, FIIC, London)

218. A more palatable suggestion for some would be if a fee was introduced and additional benefits were provided. However, reactions to this would be highly dependent on whether the additional benefits provided were perceived to be relevant, useful, and value for money.

"If it wasn't too excessive and the deals from other companies are not more appealing then I might be tempted to say fine it's only £5 a month, £10 a month….but if there's someone else out there offering the same facilities without charging then I'll think okay, I'll transfer (to them)." (Male, 1 PCA, Basic Bank Account, High Value Balance, Cardiff)

219. Most participants were likely to make a rational economic calculation to see if they can get better value for money elsewhere. For lower income consumers, this would be driven more by necessity because they have limited money; for higher income consumers this would be based mainly on principle.

Appendix A – Mentions at F9

F9 answers:	%
Happy with my current supplier/ no problems/ I am satisfied/meets my needs	51
No need to change/no reason/never given me reason to/don't use the account much	22
Too much hassle/too difficult/cannot be bothered/lack of time	20
Good customer service/ satisfied with the service	12
Been with them a long time/ loyal customer	6
Convenience	9
Helpful/efficient/polite/courteous/friendly/ approachable staff/ service	8
Good location/ current bank is local to me/prefer a local branch	7
Good products/ products provided suit my needs/ current supplier provides the best deals/ interest rates/ added extras	7
Not thought about it	5
Easy/simple/transparent	4
Good internet banking/website capabilities	4
Consideration of/problems moving direct debits/standing orders (my pay)/possibility of missed payments	3
No difference/ all the same/ haven't found anyone better	3
The best bank/best in the market/good bank	2
Reliable/trustworthy/accurate	2
Availability of staff/branch/opening times	2
The charges/other banks were going to charge me/would incur charges if I moved	2
Due to products I hold with current bank/process of moving products	2
Do not like change/like to stick to what I know/I like stability	2
Good security/my money is secure/ less fraud	1
Quick service/fast/problems resolved quickly	1
Their ethical policies/provider is ethical/prefer to use an ethical provider	1
Good app/easy to use app	1
Not got round to it/I am thinking about it/might do in the future/will be doing it	1

Not been with them long/only just come to the UK/ new account	1
Money management/ to help me manage my money better/budget	1
I do not qualify/do not earn enough to change account/do not have enough money to benefit	1
I work for them/employee	1
Would consider changing but only If received poor service/became unhappy with services provided/deal provided	1
Negative comments regarding current service/provider (any mention)	1
Good telephone banking facilities	*
No hard sell/don't push products on you	*
Good reputation	*
Poor previous experience with other banks/providers	*
Recommendation/advises by friends/ staff/ bank/employer	*
Due to personal circumstances/ not suitable time	*
Would consider changing but only for ethical provider	*
Others	3
Don't know	1

*less than 1%