

## RETAIL BANKING MARKET INVESTIGATION

### Notice of changes in the revised actual vs perceived working paper

1. Following the publication of our working paper, 'Actual and perceived behaviour of personal current account customers' on 7 August 2015, we have amended the way the average monthly actual charge for overdraft usage is constructed. In the version published on 7 August 2015, the variable was constructed by summing up monthly charges over the year and then dividing by the number of months the customer was **active in 2014 with the bank**. In the amended version, the variable is constructed by summing up monthly charges over the year and then dividing by the number of months the customer **was in overdraft in 2014**. The latter way of constructing the variable matches the question respondents were asked in the survey.<sup>1</sup>
2. As a consequence of this change, some results in the working paper have changed. However, our qualitative conclusion is not affected by these changes. Paragraphs, figures and tables that contain changes are listed in the table below.

**Table 1: List of changes**

<i>Paragraph number</i>	<i>Sentence that was changed</i>
7.	Half of customers are charged £5 or less per month for their overdraft. Customers broadly estimate their charges correctly, with only a small percentage stating that their charges were considerably different from what they were actually charged.
42.	We compared the sum, averaged over the months in which a customer was in overdraft in 2014, to the total overdraft charges as estimated by respondents of the survey.
43.	When we do so, perceptions of charges (64%) appear to correspond more accurately to actual values (48%). <sup>2</sup> Only 4%

<sup>1</sup> Base = All who have been overdrawn on their main account at any time in the last 12 months. Question G11 'Thinking about the x months (from Question G5) that you were overdrawn, what was the average amount that you were charged for your overdraft in a month, whether authorised or not?'

<sup>2</sup> The numbers in the text base are the un-rounded figures. Adding up the numbers displayed in Figure 9 therefore does not necessarily lead to exactly the same results.

	of customers incur charges above £50, which is consistent with respondents' perceptions (see Figure 9).
44.	On average, customers who go into overdraft pay £12 per month for use of the overdraft.
45.	30% of customers can estimate their charges within +/- £1, and 50% within +/- £5. [...]. Most people whose reported charges do not reflect their actual charges assess it incorrectly by only a few pounds.
46.	Customers that are not charged for an overdraft (29%) may be less aware of their overdraft usage.
Appendix B, 12.	Both are constructed by summing up monthly charges over the year and then dividing by the number of months the customer was in overdraft in 2014.
Appendix D, footnote under Figure 1	*278 customers are not charged and are therefore excluded. A further 73 are excluded from the overdraft sample where customers responded that they did not know how many days they went into overdraft or refused to say, leading to a total of 830 observations.
Appendix D, footnote under Figure 2	*278 customers are not charged and are therefore excluded. A further 73 are excluded from the overdraft sample where customers responded that they did not know how many days they went into overdraft or refused to say, leading to a total of 830 observations.
Appendix D, 6	38% of customers are charged £5 or less per month for their overdraft and 42% of customers are able to estimate their overdraft charges within £5, compared to 50% in the main specification
Appendix D, 10	As in the main specification, roughly half of customers are charged £5 or less per month for their overdraft and 48% of customers are able to estimate their overdraft charges within a tolerance of £5, compared to 50% in the main specification.

*List of tables and graphs that were changed*

- Figure 9: Distribution of actual and perceived overdraft charges (overdraft sample\*\*)
- Table 3: Difference between actual and perceived overdraft charges (overdraft sample\*)
- Appendix D, Figure 2: Difference between actual and perceived number of months in overdraft excluding respondents who have not been charged for an overdraft (overdraft sample excluding free overdrafts\*)