

Retail banking market investigation: provisional findings report

Appendix 1

Appendix 1.1: Terms of reference and conduct of our investigation

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Terms of reference

1. On 6 November 2014, the CMA referred the market investigation into the supply of retail banking services to PCA customers and to SMEs in the UK.

The Competition and Markets Authority (CMA) in the exercise of its power under sections 131 and 133 of the Enterprise Act 2002 hereby makes an ordinary reference to the Chair of the CMA for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013 for an investigation of the supply of retail banking services to personal current account customers and to small and medium-sized enterprises.

The CMA has reasonable grounds to suspect that a feature or a combination of features of the market for the supply of those services in the United Kingdom prevents, restricts or distorts competition.

For the purposes of this reference:

- '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 automated teller machine facilities and to make regular payments by direct debit and/or standing order, but does not include:
 - an account in which money is held on deposit in a currency other than the official currency of the United Kingdom or
 - an account in which credit funds are held and offset against mortgage debt or a loan (other than an overdraft facility), ie a current account mortgage
 - in respect of small and medium-sized enterprises, the provision of banking services, which includes, but is not limited to, the provision of business current accounts,

overdrafts, general purpose business loans and deposit accounts, but which excludes the provision of other non-lending products such as insurance, merchant acquiring, hedging and foreign exchange

- 'small and medium-sized enterprise' means a business that, in respect of a given financial year applying to it, has annual sales revenues (exclusive of VAT and other turnover-related taxes) not exceeding £25 million. For this purpose a 'business' shall have the same meaning as an 'undertaking' under the Competition Act 1998.

Conduct of our investigation

2. This appendix provides a more detailed chronological description of the conduct of our investigation from the reference to the provisional findings.
3. On 6 November 2014, the CMA board made the reference for a market investigation into the supply of retail banking services to PCA customers and to SMEs. On 10 November 2014, the CMA appointed a group of five independent members¹ from its panel for the investigation. On the same day the issues statement, setting out the areas of concern on which the investigation would focus, was published. We received 26 responses from banks, trade associations, consumer groups and consumers in response to the issues statement. Non-confidential versions of [responses to the issues statement](#) have been published on our webpages.
4. An [administrative timetable](#) for the investigation was published on 12 November 2014. A revised version was published on 28 August 2015. On 22 December 2014 we published our first [investigation update](#). Subsequent updates were published on 19 March 2015, 19 June 2015 and 28 August 2015.
5. Between November 2014 and January 2015, we held initial meetings with a large number of parties and also with third parties to help identify data and information held by each relevant party which could assist us in our investigation. At this time, we sent out market and financial questionnaires to 17 banks and other key parties. Many of these information and data requests were followed up with further written requests, telephone calls and/or meetings.

¹ [Market investigation reference group appointed](#).

6. Between January and March 2015, we visited 12 banks throughout the UK. We also held a number of meetings with regulators including the PRA, FCA and PSR. In addition, we made contact with a large number of other third parties during the investigation including other financial service providers, IT providers, government departments including the Scottish, Welsh and Northern Ireland governments, price comparison websites, academics, SMEs, consumer representative bodies and a number of trade associations.
7. On 22 December 2014, we announced our intention to commission GFK NOP Ltd to carry out a customer survey and to undertake qualitative research into PCA customers. In January 2015, we invited comments on the draft of the questionnaire and design of the survey. The results of this survey were published on our website on 21 May 2015. The survey data tables were published on 19 June 2015.
8. On 15 January 2015, we announced our intention to use data held by Charterhouse Research to assist with our understanding of SME customers. In addition to acquiring data held by Charterhouse Research, we also commissioned them to carry out additional surveys on our behalf. Draft questionnaires were published on our website in February 2015.
9. On 16 April 2015, we appointed Research Works to conduct qualitative research into the behaviour of SMEs on our behalf. Its report was published on 10 July 2015.
10. We also announced our intention to carry out a number of case studies on market entry and expansion and invited comments on the proposed list. These case studies² were published in May and June 2015. Between March and September 2015 we also consulted on our approach to a number of key pieces of other analysis including on profitability, BCA and PCA pricing, PCA switching and our analysis of the actual behaviour of PCA customers versus their perceived behaviour. We also consulted on the commissioning of a report on the impact of innovation in the UK which was undertaken by Deloitte LLP and published on 30 July 2015.
11. On 21 May 2015, we published our updated issues statement. We received 17 responses from banks, other market participants, trade associations and consumer groups and have published non-confidential versions of their responses on our website.
12. Between June and July 2014 we held 14 hearings, four of which were roundtable hearings held with members of the British Bankers Association

² One case study has not been published due to confidentiality.

'challenger bank' group, the Welsh Government and SME representatives in Wales, consumer organisations, and SME representative bodies respectively. Summaries of those hearings and roundtables have been published on our webpage.

13. In July and August 2015, we disclosed data into a confidentiality ring relating to the SME Charterhouse survey. These sets of data were accessed by the representatives of eight parties.
14. Prior to the publication of our provisional findings, and in order to facilitate contributions from parties, we published our views on a range of issues at various stages and, where appropriate the results of our analysis. Our intention was to assist the parties in understanding our concerns and our position during the investigation, to encourage comments and to air transparency generally. This material included the following [working papers](#):
 - (a) Quantitative and qualitative analysis of searching and switching in personal current accounts
 - (b) Actual and perceived behaviour of personal current account customers (revised)
 - (c) Retail banking financial performance
 - (d) Barriers to entry and expansion: branches
 - (e) Business current account and personal current account pricing analysis
 - (f) Charterhouse quantitative follow up surveys on SME behaviour
 - (g) Research Works qualitative research report into SME behaviour
 - (h) Report by Deloitte LLP on the impact of innovation in the UK retail banking market
 - (i) Dutch retail banking market case study
 - (j) Barriers to entry and expansion: capital requirements, IT and payment systems
 - (k) Summary of entry and expansion in retail banking
 - (l) Relationship between concentration and outcomes: review of empirical literature
 - (m) Nationwide case study

(n) Prospective entrants case study

(o) Virgin Money case study

(p) Metro Bank case study

(q) Tesco Bank case study

(r) TSB case study

(s) Regulatory framework applicable to the retail banking industry in the UK

15. We would like to thank all those who have assisted in our investigation to date.