

COMPETITION & MARKETS AUTHORITY RETAIL BANKING INVESTIGATION

Campaign for Community Banking Services' comments on Provisional Findings and Remedies

CCBS is concerned, as our evidence and contributions to the CMA team's round table session made clear, with ensuring competition between established banks as well as opening up the market to new 'challenger banks' against the background of **branch dependent customers** being disadvantaged by the escalating closure of many local bank branches, reducing to one or two remaining in currently 1193 communities which, generally speaking, are larger and more economically active than affected communities in the past.

Whilst the CMA's report acknowledges the continued importance of convenient branches to both sectors, particularly to the SME sector, in terms of account acquisition and retention, and transactional capability, it is very disappointing to note its absence from **12.7** as a feature to be the subject of a provisional remedy. Hopefully it is not too late for this to be re-considered on the basis of the evidence already submitted, including the need for work on shared service branches where appropriate to open the door to 'challengers' as well as improving competition between established banks.

Measures to prompt switching

Timing

However CCBS welcomes in Remedy 1 the proposal **34(e)** to include 'closure of the customer's branch' as a trigger point for specific notification of alternative banking providers which would of course include the local branch(es) of banks remaining in the community.

Content

Point **(36)** Although the existing FCA's BCOBS Industry Guidance 5.5 obligates banks closing branches to inform SME customers of the existence of Inter Bank Agency Agreements (IBAAs), enabling use of another bank's counter for transactional purposes, and this has been carried forward to the yet to be formally adopted Access to Banking Protocol with considerably less emphasis, the evidence is that banks are not complying with the obligation which in any event does not go as far as suggesting the consideration of transfer of the account relationship to a competitor bank still present.

Banks closing branches in these situations are promoting strongly very inferior and incomplete arrangements with local post offices and, in the case of RBSG, very limited service and availability from a mobile van in a very small number of areas, especially where NatWest branches close in England or Wales. A much better solution would have been the use of 'open to all' shared service branches in the communities from which all banks withdraw, which is now happening with little phasing in between, a model proven elsewhere, using underlying technology similar to LINK, which the industry in the UK has consistently declined to investigate fully. This would have the benefit of widening choice beyond the established banks. In the meantime IBAAs could help.

Taking the CMA's point that SME customers are reluctant to switch to a competitor bank as it may put in jeopardy a track record of potential value when a loan or overdraft is applied for, the IBAA could be a 'half way house' enabling the customer to test out the potential new bank whilst retaining the existing relationship before taking the step of making the switch.

Before IBAAs are included in formal notifications, whatever form they take, there is work to be done by the industry on improving the operation and pricing of the service as promised to the CMA's predecessor in its mandatory report 'Branch Access Feasibility Study' of 23 March 2003 but never implemented.

Issues for Comment

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Remedy 1

CCBS considers that Trigger point 1a, properly delivered, will be effective for SMEs but the interim step of an IBAA, subject to the industry first implementing its promise to improve the awareness, operation and pricing of this service, should be offered at the same time.

Communication should be by letter in the case of smaller SMEs and 'third sector' customers and by the relationship manager in the case of larger ones.

Remedy 6

CCBS supports the proposal to have standardised account opening procedure for smaller SMEs and 'third sector' groups in order to facilitate switching of accounts for branch dependent SMEs when the relationship bank decides to remove its local branch whilst leaving other banks capable of handling the business.

Campaign for Community Banking Services

www.communitybanking.org.uk

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