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By email

Response to provisional findings report and notice of possible remedies

About Gocompare.com

Gocompare.com is a price comparison website (PCW) that enables people to compare the costs and features of a wide variety of insurance policies, financial and banking products, and energy tariffs.

We do not charge people to use our services and we do not accept advertising by suppliers or providers, so all product comparisons are unbiased.

Gocompare.com is a pioneer of transparency when it comes to comparison services. We were the first PCW to focus on displaying policy details, rather than just listing prices. We did this to help people make better-informed decisions when buying their insurance.

Ever since, Gocompare.com has remained dedicated to helping people choose the most appropriate products rather than just the cheapest. To this end we have teamed up with Defaqto¹, the independent financial researcher, to include additional policy information in a number of our insurance comparison services.

We were also the first, and are still the only, PCW to enable consumers to use the Government's midata initiative to run comparisons that unearth the real value of personal current accounts

¹ <http://www.gocompare.com/press-office/2013/10/gocompare-introduces-defaqto/>

(PCAs)²³. For more information on midata, and how Gocompare.com customers can use it, please see this guide: <http://www.gocompare.com/money/midata/>

Gocompare.com is based in Newport, South Wales, and became part of the esure group of companies on 31 March 2015. We are the only PCW to be invited to join the British Insurance Brokers' Association (BIBA), in recognition of our commitment to providing more meaningful comparisons⁴, and are authorised and regulated by the Financial Conduct Authority (FCA).

Many of our money/banking comparison services, including but not limited to PCAs, credit cards, personal loans, savings and ISAs, are provided in collaboration with LoveMoney, which is authorised and regulated by the FCA.

1. Executive summary

1.1 The Competition and Markets Authority's (CMA) report confirms that PCA switching levels are extremely low. This reflects the findings of the Department for Business, Innovation & Skills, whose 'switching principles' report shows that just 3% of customers switched bank accounts in 2014⁵.

1.2 Switching bank accounts is easier than ever before thanks to the Current Account Switch Service (CASS) and its seven-day switch guarantee. However, motivating people to shop around in the first place is where the issue lies, and the CMA's list of remedies includes steps that, on the face of it, could go some way to rectifying this.

1.3 One of the main drivers of switching at the moment is the proliferation of incentives, which has seen many PCA providers offering people £100, or in many cases more, to switch their day-to-day banking services. These are understandably attractive, but they don't provide a clear picture of the pros and cons of the current account. Getting £100 for switching is all well and good, but if the customer is going to incur foreign usage fees, overdraft charges or miss out on in-credit interest earnings then that incentive could quickly be cancelled out.

1.4 In our view, using midata – which provides customers with access to 12 months' worth of their banking data – is the only way that people can determine exactly how a new account could benefit them, financially, before they switch. Midata-enabled comparisons lay bare the true benefits and drawbacks of PCAs by attributing a pounds-and-pence value to each account.

1.5 Increased use of midata has the real potential to result in more competition and better products being developed, because with midata unsuitable accounts can't hide behind attractive marketing messages.

² <http://www.gocompare.com/press-office/2015/03/gocompare-launches-midata-current-account-comparison-service/>

³ <https://www.gov.uk/government/news/is-your-bank-giving-you-the-best-deal-find-out-using-new-online-comparison-tool>

⁴ <http://www.biba.org.uk/MediaCenterContentDetails.aspx?ContentID=987>

⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/469998/BIS-15-533-call-for-evidence-switching.pdf

1.6 The big banks and building societies⁶ have been leading the way in providing their customers with access to their midata files. Gocompare.com would like to see more banks and building societies liberating their customers' data so that consumers can carry out tailored current account comparisons.

1.7 This submission reflects our view that PCWs can be highly effective at helping people shop around quickly, easily and effectively. It also focuses on the midata element of the CMA's report, as we feel this is an area where there is limited consumer understanding of the significant potential benefits it could bring.

2. Remedy 1 - Prompt customers to review their PCA or BCA provider at times when they may have a higher propensity to consider a change

2.1 Banks and building societies are already required to inform their customers of changes that could affect them. For example, increases or decreases in fees and interest rates, alterations to the Financial Services Compensation Scheme (FSCS) deposit protection limit, or occasions where the customer has used their account in a way that was not agreed and could/will incur charges as a result.

2.2 These event-based prompts have clearly not resulted in high levels of PCA switching. In our view, this could be because there may be a perception among consumers that there is little difference between current accounts. Midata can help as it provides a clear and understandable difference between PCAs, ascribing a monetary benefit/drawback to every account on the market. This, much like the potential savings figures people see when comparing various insurance policies or energy tariffs, provides a tangible reason to switch. However, uptake and use of midata is not widespread at the moment.

2.3 One solution, as we see it, is improving the information that is provided to people in their monthly and annual statements. Banks and building societies could use the data they hold on their customers' account usage habits over the period covered in the statements, to inform them of any fees they've been charged or benefits they have missed out on. Essentially, applying their customers' midata information to statements. If a customer can see that their account use has resulted in an unexpected financial cost to them, they may be more inclined to either a) attempt to change the way they manage their money or b) shop around for an account that better suits their circumstances.

2.4 In addition to this, on-going promotion of the fact that midata exists (and how to access/use it) by the banks, in tandem with raising awareness of CASS's switching guarantee, could help provide consumers with both the impetus to shop around and the confidence to move their banking from one provider to another.

⁶ RBS (including Natwest and Ulster Bank), Lloyds (including Halifax and Bank of Scotland), Nationwide, Santander, HSBC (including First Direct and M&S Bank), Barclays, Tesco Bank.

2.5 Almost a fifth (19%) of current account comparisons carried out through Gocompare.com are made using customers' midata files, and people who use midata are almost five times as likely to go on to switch as those who use standard 'best buy' tables.⁷

3. Remedy 3 – Facilitate price comparisons between providers by making customer-specific transaction data more easily available and usable, including by PCWs

3.1 Midata-enabled PCA comparisons, as noted in the CMA's report, provide a much more accurate comparison of current accounts than is available through conventional 'best buy' tables. In our view, there is no better way to demonstrate clearly, and in an unbiased fashion, the true value of a PCA to a customer.

3.2 At present, the only way for a customer to use their midata information for PCA comparisons is to download their midata file from their provider's website (when logged into online banking) and then upload it to Gocompare.com's current account comparison service⁸.

3.3 The comparison tool will then make over 1,500 calculations based on the customer's spending habits by examining over 30 different types of transactions - including overdraft charges, average in-credit balance, overseas charges, returned cheques etc. It will compare all of the current accounts on the market at that time and will present the customer with a comparison table showing which current account is right for them based on the way they use their account. Customers can drill down into the results to see, at a glance, a breakdown of the costs and benefits of each account, including incentives, interest earnings and charges.

3.4 We agree with the CMA's suggestion that the adoption of application programming interfaces (APIs) between banks/building societies and PCWs could improve the process. We are working closely with our technology partner, Runpath, to explore ways that midata comparisons can be improved. However, one of the main drawbacks of the current system isn't the downloading and uploading of a midata file, but rather the promotion (and location) of the files⁹. In some cases, for someone to locate their midata file can require them to go through several steps¹⁰.

3.5 With regards to midata, we note the comments made by the chair of the Treasury Select Committee during the oral evidence session with the CMA on 4 November 2015, where concerns about the security of midata were raised (Q63 and Q121 specifically). We'd like to allay any concerns by confirming that the data used in a midata comparison search is encrypted and then purged at the end of the process. Gocompare.com isn't able to read the data and it will not be kept or used for any other reason than to carry out the calculations needed to provide the comparison.

4. Remedy 5 – Enable consumers and SMEs to make comparisons between current account providers on the basis of their service quality

⁷ <http://www.gocompare.com/press-office/2015/11/Midata-update/>

⁸ <http://www.gocompare.com/current-accounts/>

⁹ <http://www.thesundaytimes.co.uk/sto/business/money/savings/article1626251.ece> (subscription required)

¹⁰ <http://www.gocompare.com/current-accounts/how-to-find-your-midata-file/>

4.1 In research commissioned by Gocompare.com earlier this year¹¹, respondents stated that the five most important factors when selecting a current account were: good online banking (34%), a branch near to where they live (19%), low bank charges (15%), a good customer service reputation (14%), and a traditional banking brand (6%).

4.2 These results are somewhat surprising, given that respondents also said that, on average, they hadn't spoken to their branch manager for five years, while 56% had never spoken to them.

4.3 Customer service when it comes to bank accounts can be difficult to measure. Complaints records, the availability of the customer's preferred method of banking (branch, phone, app, online, telephone) and the quality of these, and account features can all play a role. Likewise, perceptions of service can be highly subjective.

4.4 In our view, customer service ratings could be useful for customers when considering a current account, but by far the most important factor is whether the account's features will work with the customer's banking habits or against them. An account that results in unnecessary charges or that offers scant benefits represents poor value for the customer, regardless of the service that comes with it.

We hope that this submission provides a clear view of Gocompare.com's thoughts on PCAs, and in particular the role of midata in increasing engagement and shaping new products. If any additional information is required, or if you would like to meet with me to discuss any of these points in greater detail, I will be happy to help.

Yours sincerely,

Tom Lewis

November 2015

¹¹ <http://www.gocompare.com/press-office/2015/10/local-banking-release/>