

RESPONSE TO CMA: RETAIL BANKING MARKET INVESTIGATION

Bacs Response

VERSION 1.0 | 19/11/15

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1 DOCUMENT INFORMATION

1.1 VERSION HISTORY

VERSION	DATE	DESCRIPTION
1.0	19/11/2015	Published to CMA

1.2 DOCUMENT REVIEWERS

STAKEHOLDER	ACTION
Michael Chambers , Chief Executive Officer	Approver
Anne Pieckielon , Director of Product and Strategy	Approver

1.3 COPYRIGHT STATEMENT

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2 EXECUTIVE SUMMARY

Bacs has a unique role in providing payments that underpin economic activity for tens of millions of people up and down the country every day. As a leading organisation in the UK's financial industry, we believe Bacs can be a highly effective partner to the Competition and Markets Authority (CMA).

Over 100 billion transactions have been debited or credited to British bank accounts via Bacs since inception in 1968. In 2014, 5.8 billion UK payments were made this way with a total value of £4.4 trillion. Our schemes include Bacs Direct Credit, by which nearly 90 per cent of the UK workforce is paid, as well as the well-known Direct Debit scheme. More than 3.6 billion Direct Debit payments are processed by Bacs a year and 80 per cent of British adults have at least one Direct Debit commitment.

Alongside these schemes, Bacs launched the Cash ISA switching service in October 2012 and assumed ownership of the Current Account Switch Service (CASS) when it was launched in 2013. This service allows customers to move more easily and quickly between banking providers. It is primarily in this capacity that we wish to respond to the CMA retail banking market investigation.

We welcome the CMA's report and its ambitions. We are extremely supportive of the objectives and value the way the regulator has gone about the process particularly in its active engagement with us during its information gathering.

We noted the CMA's remarks that CASS has been a "very positive development" and share this view and are proud of the work that has been done to take the stress out of switching bank accounts. In operational terms, the data we see every day supports this. There has been clear appetite for the service – since launch, over 2.25 million consumers have used the service, which is now offered by 40 high street banks and building societies, up from 33 at launch.

Despite this success, Bacs is well aware that more needs to be done to promote and develop the service for consumers. We were pleased to see that the CMA shared this view, highlighting that "further efforts to promote the service would form an important part of our remedies package".

In fact, Bacs has already made significant progress in this area. We have been proactively encouraging the industry to initiate significant action around CASS, and earlier this year we launched a new multi-million pound advertising campaign for CASS. With the full backing and involvement of the industry, this campaign is designed to raise both awareness and confidence in the service.

This major new multi-million pound advertising drive, covering print, radio, online and TV advertising, as well as a social media and PR campaign, airing first in September, was developed to coincide with the second anniversary of the switch service.

In line with one of the CMA's recommendations, we are committed to ensuring that public awareness and confidence in CASS is sustained and improved upon. As you know, we are already due to launch a second burst of advertising in the New Year, but you will be also be pleased to know that Bacs has already committed to continue this campaign into 2016 and beyond. We aim to reach as many as possible of those eligible to use the service, making it clear that switching is now simple and stress-free should they want to take advantage of the competitive current account landscape.

The governance model for CASS provides every participant with an equal voice in decision making. The funding to implement a substantial, multi-year communications campaign to drive awareness and confidence in the service has been agreed within that governance model. CASS has been developed to service the interests of established players, challenger banks, and new potential competitors. The attraction of the service is illustrated by the continued flow of new entrants, a trend we actively encourage and anticipate continuing in the next few years.

As well as working with the industry, Bacs has also sought to work collaboratively and openly with other key stakeholders and this is a fundamental part of our engagement strategy. When launching our campaign in September, we worked closely with the Economic Secretary to HM Treasury, Harriet Baldwin MP, and HM Treasury is kept regularly updated on developments.

We have also consistently engaged with the Financial Conduct Authority, Payment Systems Regulator, the CMA, as well as influential third parties – including consumer champions like Which?, price comparison sites such as MoneySuperMarket, uSwitch and GoCompare, as well as trade associations. This programme forms an essential part of our awareness and confidence activity.

Moreover, and pertinent to the CMA's recommendations around SMEs, Bacs has already been working with the Federation of Small Businesses, amongst other SME groups, in order to tailor activity directly for this audience and specific campaigns targeting this group are being designed.

SMEs are just one of a number of audiences that Bacs and the industry are prioritising. Others include the young, the financially disadvantaged, charities and those consumers at various different life stages where switching accounts may be especially worthwhile and prudent.

CASS already allows for customers with overdrafts to switch provider. The decision by the customer's new bank to provide an overdraft is part of the account opening process rather than the switch, although this difference is often not clear to the customer. We recognise that this lack of clarity may create reputational risk to the service. Consequently we are investigating process changes that might facilitate customers with overdrafts switching, and also looking at more effective ways to communicate the benefits of CASS to this segment of the market.

We note that you propose that payments inadvertently sent to a customer's old account should be redirected to the new account for a longer period than three years currently provided. You will be pleased to know that we plan to modify the service so that this time limit is effectively removed. Our research indicates that the primary customer concern is that payments do not go astray during the switching process. A specified period of redirection introduces doubt rather than building confidence in the service. Consequently we intend to strengthen the customer proposition by removing reference to a specific redirection period in the Guarantee.

You similarly express concern that some customers may be discouraged from switching because any Continuous Payment Authority (CPA) arrangements they may have linked to their debit card may not be transferred to their new bank. The CPA is an agreement between cardholder and merchant and as such is not visible to either the issuing bank or Bacs, and is often confused with a Direct Debit. This means there is no legal process or customer mandate that can be switched between the old and new banks and consequently in some cases this confusion may create uncertainty at the time of an account switch. However, in practice there are a very small number of CPA transactions and processes are in place to enable a merchant to update their records when cards are replaced, including when an account is switched. None of our research or performance monitoring of the

service has identified customer concerns with the switching of CPAs and we do not believe this issue has a material effect on customer switching behaviour. However, Bacs continues to work with participants and the card schemes to ensure effective processes are in place to minimise any adverse impact on CASS.

In addition to CASS Bacs also operates a partial switching service which allows customers to move payment instructions from one account provider to another without closing the old account. This service was developed to address the needs of corporate customers not eligible to use CASS, and a small but significant customer segment who wish to retain control of the switching process. All CASS members are required to support customers who wish to move payments away to a new provider, although not all support customers switching into them in this way. The Payment Account Directive that will become law in 2016 has significant implications for the partial service that we are currently evaluating. As part of this work we will reflect on the practicalities of introducing a form of guarantee for the partial service and are happy to work with the CMA to consider the issues that were raised.

Our full response, incorporating more detail on much of this activity and explicitly responding to the CMA's proposed remedies, has been outlined below. We go into particular detail in areas that Bacs can make an appropriate and meaningful contribution in developing remedies.

There are other remedies outlined, where Bacs is unable to provide definitive answers, as they do not directly fall under our control or remit. We have commented on a number of these where we believe our research can provide useful insights. These remedies may lead to action by individual participant banks and other industry bodies such as the British Bankers Association (BBA), and we would be happy to work with them where we might help create more effective solutions. Given our wealth of practical experience promoting and operating CASS we are actively investigating areas where we might support further mechanisms to promote CASS, thereby supporting effective competition in the PCA and small business banking markets. We have earlier confirmed to you that we are happy to work with you where appropriate in the testing of potential remedies.

We note that there are a number of remedies that you are minded not to consider further. Of these the free-if-in-credit model undoubtedly removes a critical factor seen in other markets, it is unlikely that its introduction would significantly increase customer engagement with the current account product given the likely level of charges suggested by your analysis.

We would also like to stress that Bacs continues to work with participants and interested parties to ensure that CASS is the best service possible and that the many benefits it provides are communicated and delivered effectively. The service was created to help consumers and this absolute commitment has not changed or been diluted. We share a vision of fair and equal access to payments services and banking products for everyone and are committed to working collaboratively with all relevant parties to achieve this goal.

We look forward to continuing to work closely with you to ensure the best outcomes for consumers.

3 SUMMARY TABLE

#	Remedy	Bacs Response	Bacs Action
1	Prompt customers to review their PCA or BCA provider at times when they may have a higher propensity to consider a change.	Bacs' review of research suggests that this proposed remedy may increase customer engagement with the current account market.	We are reviewing how our communications can be more effectively targeted on customers at times when they may have a higher propensity to engage.
2.	Increase public awareness of the potential savings or rewards that could be obtained by changing one's current account provider and of the benefits of using the Current Account Switch Service to do so in terms of security and convenience.	Bacs believes that the benefits of using CASS are best communicated using a mix of central and participant channels.	Bacs is currently undertaking a multi-million pound campaign through central and member channels with the objective of increasing awareness and confidence in CASS, highlighting the benefits and rewards of switching. We also continue to work with organisations such as the price comparison websites to ensure independent endorsement of the service.
3.	Facilitate price comparisons between providers by making customer specific transaction data more easily available and usable, including by PCWs.	Bacs believes this remedy would help provide timely information to customers and would be happy to engage with relevant parties to consider possible solutions.	Bacs will explore the potential of incorporating messages on availability of comparison information into CASS communications to create synergy between CASS and Midata.
4.	A PCW for SMEs.	Bacs believes this remedy would help provide timely information to customers and would be happy to engage with relevant parties to consider possible solutions.	The SME sector will be a key focus for our 2016 communications campaign.
5.	Enable consumers and SMEs to make comparisons between current account providers on the basis of their service	Bacs believes that service quality is an important factor in customer consideration of account provider so development of a suitable	Bacs is continuing to research the market dynamics and believes that its research could contribute to the

#	Remedy	Bacs Response	Bacs Action
	quality.	measure of service quality would be positive.	development of a suitable measure.
6.	Standardise and simplify BCA opening procedures	Customers do not clearly differentiate between account opening and switching so some level of standardisation is critical to the effective delivery of the CASS Guarantee.	Bacs has historically taken the view that BCA opening procedures fall into the competitive space. However, since CASS has drawn Bacs closer to these processes, Bacs is willing to assist and work with the appropriate organisations in order to contribute towards the delivery of best practice in BCA opening procedures.
7.	Make it easier for prospective PCA customers to find out, before initiating the switching process, whether the overdraft facilities they were seeking would be available to them from another provider.	Bacs believes that this remedy can contribute to the effective engagement of a customer group that could benefit from switching.	Bacs is willing to contribute towards the delivery of best practice where it is appropriate to do so. In this regard we would be happy to work with the BBA (British Bankers Association), other appropriate organisations, and CASS participants to consider how best to address this remedy.
8.	Require payments into the old account to be redirected to the new one for a longer period than at present.	Our research suggests that customers are most concerned with payments not getting lost during the switching process so delivering a robust and effective redirection service has been central to the operation of CASS since launch.	The Customer Guarantee is being strengthened by removal of reference to the redirection period and processes are being developed to ensure all payments reach the correct account.
9.	Require banks to retain and provide ex-customers, on demand, with details of their BCA and PCA transactions over the five years prior to their account closure.	Bacs does not have a view on this remedy.	

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Bacs Response

#	Remedy	Bacs Response	Bacs Action
10.	Require Bacs to transfer continuous payment authorities on debit cards when switching through CASS.	Bacs does not believe that the CPA has a significant impact on customer confidence in CASS.	Bacs cannot deliver this remedy as described because the CPA is a card scheme product. Bacs continues to work with them to ensure robust processes are in place for managing all card payments during the switch process. Bacs would welcome the opportunity to discuss this provisional remedy in further detail with the CMA explaining our plans.
11.	Require all banks to support the partial switching service and to provide an equivalent guarantee to that offered as part of CASS.	All CASS participants support the partial switch service and Bacs believes that demand for the service is limited to a small number of personal customers and businesses not eligible for CASS.	Bacs is currently reviewing the partial switch service in anticipation of implementation of the Payment Account Directive. We would welcome the opportunity to discuss this proposed remedy with the CMA as part of that review.
12.	Changes to CASS governance.	The current CASS governance model has allowed Bacs to raise funds for additional promotion of the service.	Bacs would be concerned that any change to the governance structure would not contribute to our ability to promote the service but may have unforeseen consequences on our ability to develop, manage and operate the service.
13.	Data sharing with credit reference agencies.	Bacs does not have a view on this remedy.	
14.	Commercial open data and data sharing proposals.	Bacs does not have a view on this remedy.	
15.	Require banks to provide a loans price and eligibility indicator.	Bacs does not have a view on this remedy.	

4 REMEDY 1

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

4.1 PARAGRAPH 17 RESPONSE

(a) how effective the remedy is likely to be in remedying, mitigating or preventing the AEC it is intended to address in each of Great Britain (GB) and Northern Ireland (NI);

According to the customer journey research Bacs has undertaken, there are two categories of potential prompt points, bank driven and customer driven. Bank driven trigger points include significant push experiences, such as bad service, the closure of a local branch etc., and shocks, such as major ATM outages, non-payment of salary etc. Customer driven trigger points relate to significant changes in customer circumstances or life events such as moving into higher education, buying or renting a property, getting married or retirement.

This remedy could address the low customer engagement issue common across GB and NI, which Bacs identifies as “customer inertia”. Bacs’ review of academic research into switching behaviour suggests that in the current account market there are high levels of inertia and propensity for customers to remain with a provider despite experiencing these push experiences such as poor service¹². Therefore alerting customers to the potential value of switching at bank driven push events and shock events is unlikely to be successful on its own.

Customers are more likely to be amenable to considering switching at customer driven life events for two reasons. First, inertial apathy is broken by an imperative to act. Secondly, it is likely there will be an emotional drive associated with a life event. However, the actual effectiveness of this remedy will depend on the message delivered to customers and should be implemented in conjunction with other proposed remedies which could lower customer perceived risk of switching. In particular, this remedy should be considered with Remedy 2 to coordinate the messages conveyed centrally and by current account service providers, which is currently being investigated by Bacs.

However, Bacs notes that the wider challenge is how to engage customers in the PCA market. In comparison to other similar products the current account market lacks transparent pricing, its core payment features are by their nature undifferentiated, and they are highly automated and reliable. Thus there are few opportunities to differentiate brands. Further, as they provide a service which is only tertiary to achieving individual purpose there is very little incentive to engage with the product.

(b) whether there are any alternative remedies that would be as effective as the proposed remedy, or more so, in addressing the AEC and that would be less costly and/or intrusive;

Bacs’ review of research on the customer switching journey stresses the need for the customer to self-select the purpose(s) of switching. This ‘self-selection’ ensured that their reasoning linked to values that are most important to the customer in a specific context. Encouraging promotion of the

¹ “interactions and consequences of inertia and switching costs”- Journal of Services Marketing, Richard Lee, Larry Neale (2012)

² “Engagement with current accounts and the switching process”- FCA, March 2015

service through word of mouth is likely to be less intrusive, more likely to be linked to values and sought against purpose. This could be implemented through price comparison websites (PCW) but the details are being investigated by Bacs. However, given the low level of engagement with the PCA market and consequent low level of switching our modelling suggests that word of mouth still generates only a weak effect in the market.

(c) whether the design of the remedy should be adapted to take account of the requirements of different customer groups, for example consumers and SMEs or particular subgroups within these categories;

Bacs' review of research indicated a strong case for customer segmentation in the context of engagement³⁴. The design of the remedy, including actual messages and communication channels, could vary according to the nature of the trigger event and relevant customer groups. Bacs is currently investigating potential customer segmentation criteria, such as age of relationship and information assessment capability, and their linkage to trigger events for potential targeted communication.

(d) whether the remedy or a variant would overlap or conflict with any other regulatory intervention planned or in contemplation, including EU directives (for example, the first or second Payment Services Directive (PSD), the Payment Accounts Directive (PAD) or Consumer Credit Directive);

Bacs does not believe it would.

(e) whether the remedy may give rise to unintended consequences and, if so, what these might be and how they could be prevented or mitigated;

This remedy could cause unintended consequences such as immunisation against prompt point messages over time, which may be regarded as intrusive. Bacs' review of research identified the importance of trust despite the apparent low level of trust in banking. Consequently, if prompt point messages originated from banks, customers could become inherently suspicious of manipulation and potentially feel less valued by their banks. This would conflict with the overarching goal for customers to receive better products and service from a competitive current account market. A potential mitigation is to include solutions and offers from the existing service providers in the message communicated to the customers. An alternative source of these prompt-point messages, other than the existing service provider, can be further investigated.

(f) whether the CMA should seek to implement the remedy itself via an order or by seeking undertakings, or whether it should make a recommendation that another body, such as the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), Payment Systems Regulator (PSR), or HM Treasury (HMT), implement the remedy;

Bacs believes that the CMA is the most appropriate body to pursue this remedy. Bacs has been investigating ways to raise awareness and confidence in CASS via targeted communication, including central communication as well as communication via individual current account providers. Targeted communication involving trigger events is currently being discussed between Bacs and providers, to

³ "CASS- The Consumer Reality"- Tesco Bank, July 2015

⁴ "Customer Switching Behavior in Service Industries: An Exploratory Study" – Journal of Marketing Vol. 59 (April 1995), Susan Keaveney

understand if it can be built into Bacs' communication strategy. Bacs would be happy to discuss with the CMA how its activities could contribute to the implementation of this remedy.

(g) the appropriate duration of the remedy and whether a 'sunset' clause should be included as part of the remedy design; and

The remedy should not have a time limit. However measures should be built into the design of the remedy to allow for testing of the effectiveness of the activity and identify the most valuable trigger events and communication channels.

(h) any RCBs to which we should have regard as being affected by the proposed remedy

This remedy may facilitate customers achieving a closer match between their current account provision and values, which consequently improves customer experience and satisfaction in their current accounts.

4.2 PARAGRAPH 44 RESPONSE

(a) Is the general approach of this remedy (making use of 'trigger points') likely to be effective in prompting customers to consider changes in current account provider?

Making use of customer driven trigger points using targeted "Next Best Action" messaging could be effective. Appropriate messages accompanying the trigger event can convey critical information that encourages customers to take the next step. However, blind alerts relating to bank driven trigger points are likely to be ineffective and possibly immunise customers against messages delivered which would otherwise be effective.

Bacs already works with all participants, the PCWs and other relevant third parties to ensure that customers are aware that switching using CASS is 'simple and stress free'. Through the CASS brand guidelines we ensure that the Service is linked at appropriate points in the customer journey provided by participants. Generally this will come after the customer has identified a benefit through engaging in the market rather than providing them with a reason to engage in its own right. CASS has always been seen as removing a barrier to switching rather than as an incentive to switching.

(b) Is there, nonetheless, merit in requiring periodic reminders or messages in respect of particular patterns of account usage, for example to bring to customers' attention the cumulative costs to them of unarranged overdrafts?

As there is low customer engagement in the current account market, customers do not usually understand their actual usage, and costs of their current accounts. As set out in the previous CMA report on actual and perceived behaviour of personal current account customers⁵, generally customers have different perceived behaviour to their actual behaviour, in terms of overdraft usage and if they receive revenue on their credit. Moreover, according to Bacs' review of research, customers do not know how to identify the "value" of their current accounts since a current account is not paid-for directly. Issuing periodic statements on particular account usage pattern, combined with messaging linked to values targeted to specific customer segments, could help customers to

⁵ "Retail Banking Market Investigation- Actual and perceived behaviour of personal current account customers (revised), CMA, August 2015

identify this value. This improves the transparency of account usage fees and benefits, which then helps customers to make informed decision on switching.

We would also point to the experience in Northern Ireland where annual reminders of the ability to switch are provided to customers. There is little evidence that this action has led to a significant increase in switching in that region compared with Great Britain.

(c) Do the occasions or situations identified in paragraph 34 represent points at which BCA and PCA customers are likely to be receptive to messages prompting them to consider changing their banking arrangements?

Some are appropriate, such as opening a first account, which is likely to be linked to a life event. Conversely, responding to a major dispute with the bank would be more appropriately addressed by making information available in response to a customer initiated action.

d) Are there any other trigger points at which customers would be especially disposed to consider changing their current account provider?

Other potential trigger events identified include house-buying, negative publicity of the service provider, loan application rejected by current BCA provider, and departure of the current BCA relationship manager. Other life events such as getting married or changing jobs could also act as trigger points. Although this type of information is normally not visible to the current account providers it could form part of the advertising strategy.

(e) To what extent should messages advise customers to actively consider an alternative provider? Should they, for example, draw attention to specific better-value accounts available from other providers? Should they link to sources of comparative information such as price comparison websites (PCWs)?

Based on Bacs' review of research on learning journeys with the University of Bristol, as well as from current account providers' perspective, it is more feasible to provide links where relevant information can be found. As mentioned previously, solutions/offers from the current service provider should also be included in the message. Unsolicited advice on other providers would be counterproductive and treated with suspicion.

(f) What types or combinations of customer communication, for example letters, texts, emails, are most likely to be effective in prompting customers to consider changing their banking arrangements? Is this likely to vary with the nature of the event or the type of customer?

The most appropriate channels and messages will depend on what the trigger event was, what message needs to be conveyed and what customer segment the target audience is from.

(g) Who should determine when a 'serious or widespread loss of service' had taken place?

This should depend on the individual current account service provider but also needs to be agreed centrally as certain messages could come from a central function. However as pointed out under Bacs' response to question (a), it is less effective to prompt customers when the trigger event is bank driven. This needs to be factored in the remedy design.

The payments industry has well prepared contingency plans to deal with loss of service incidents and could potentially play a role in assessing such incidents.

(h) In situations where the provider is responsible for sending the message/prompt, should the content and presentation of the messages concerned be standardised, specified or approved by a regulator?

Key factors driving success of this remedy are trust and credibility. At a minimum it will need to be clear that the message is a regulatory requirement, and if possible associated with a well-known and trusted body to increase the credibility. Messages should not be standardised as they may differ based on different service providers. However a centrally agreed guideline should be strictly followed.

(i) Alternatively, would it be practicable and proportionate to require providers to facilitate access to relevant customers by the regulator(s), intermediaries or others?

This will depend on the trigger event and customer groups, as well as how the final solution is designed. For example if the trigger event is a major dispute between a provider and an individual customer, an intermediary could facilitate and would be a sensible source to prompt the customer regarding the switching possibility. However this involves acquiring customer consent to share their personal details to other parties and would therefore require careful consideration.

(j) What obligations should be placed on firms to support, including financially, compliance monitoring, for example through mystery shopping or the procurement of third party compliance auditing? Would the FCA or the CMA be the most appropriate body to do so? If not, who? Who should monitor compliance?

As set out in previous responses, Bacs is currently investigating how trigger events can be incorporated into its communication strategy. We also currently run the CASS awareness and confidence tracking survey and maintain brand guidelines as part of the Service rules. We could therefore assist in developing a measurement approach and in developing ways to assure compliance as part of the Service rules and existing compliance procedures.

(k) What, if any, are the practical, technical or regulatory barriers (given the potential overlap with, for example, the PAD and PSD to the implementation of this remedy?

From a practical perspective, the largest barriers are likely to be overcoming customer inertia and low level of trust in banking. Also if the communication is from parties other than the service provider, there is a potential data protection issue that would need to be addressed.

5 REMEDY 2

Increase public awareness of the potential savings or rewards that could be obtained by changing one's current account provider and of the benefits of using the Current Account Switch Service to do so in terms of security and convenience.

5.1 PARAGRAPH 17 RESPONSE

(a) how effective the remedy is likely to be in remedying, mitigating or preventing the AEC it is intended to address in each of Great Britain (GB) and Northern Ireland (NI);

The CMA noted that whilst the Current Account Switch Service (CASS) has been a “very positive development”, that “further efforts to promote the service would form an important part of our remedies package”. Bacs shares this view and is committed to undertaking a sustained public awareness campaign which highlights the rewards and benefits of CASS.

CASS has been an operational success but more needs to be done to boost awareness and confidence in the service and central marketing activity is fundamental to that aim. Consumers are increasingly aware of alternative products and providers and the opportunity to change providers. The implementation of CASS has encouraged greater innovation from providers, promoting a competitive market.

Therefore this remedy which improves public awareness, highlighting the benefits of using CASS is fundamental to helping mitigate and prevent the AEC. Moreover, the more individuals who are aware and confident in the service, the more current account providers will need to be innovative and competitive, further increasing the choice and competition in the retail banking market.

(b) whether there are any alternative remedies that would be as effective as the proposed remedy, or more so, in addressing the AEC and that would be less costly and/or intrusive;

Bacs does not believe there are.

(c) whether the design of the remedy should be adapted to take account of the requirements of different customer groups, for example consumers and SMEs or particular subgroups within these categories;

Bacs believes that the remedy should take into account different customer groups. Audience mapping and segmentation is currently being investigated by Bacs and participating banks to establish effective ways in which audiences can be segmented and targeted through paid, owned and earned media. We also have in hand some tactical changes to our communications that will target overdraft users, a group that have been highlighted as a group who may have potentially higher benefits from switching than other groups.

As a result of these conversations, groups such as SMEs, the young and the financially disadvantaged were identified as being particularly disengaged with the service. Therefore evidently highlighting potential savings and rewards to the financially disadvantaged and highlighting the business benefit of savings through switching Current Accounts would be valuable.

Bacs is committed to continue promoting the Service to ensure the current awareness and confidence targets are reached and maintained. However, based on our research with the University of Bristol we have identified engagement with the market as a critical limitation on likely switching. We feel that it would be helpful to define a more appropriate measure of the competitive environment that takes account of levels of engagement. One such measure might be 'consideration' of switching, in other words, actively looking at offers in the market. To this end we are continuing our research to understand what a more informative measure might be and how further promotion of CASS might contribute to it. We would be happy to share our research with the CMA as it progresses.

Our research is also looking at the relative impact of communications by different parties including centrally and via participants. Our aim is to maximise the effectiveness of our activity, both through our central communications and what requirements we place on participants. We believe that this research could also contribute significantly to enhancing the efficacy of this remedy in practice.

(d) whether the remedy or a variant would overlap or conflict with any other regulatory intervention planned or in contemplation, including EU directives (for example, the first or second Payment Services Directive (PSD), the Payment Accounts Directive (PAD) or Consumer Credit Directive);

Bacs does not believe it would.

(e) whether the remedy may give rise to unintended consequences and, if so, what these might be and how they could be prevented or mitigated;

There is a risk that promoting monetary savings from switching Current Accounts, which in reality are not easily achieved, would lead to lower levels of satisfaction with the Service since by association it would be seen to have failed to deliver benefits.

(f) whether the CMA should seek to implement the remedy itself via an order or by seeking undertakings, or whether it should make a recommendation that another body, such as the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), Payment Systems Regulator (PSR), or HM Treasury (HMT), implement the remedy;

Bacs does not believe it is necessary for the CMA to seek an order from the perspective of promoting the Service given the work that is already well underway and the open and transparent communication process between Bacs, the different regulatory bodies, government as well as influential third parties. Any further action to that the CMA may consider on the wider issue of promoting awareness of the potential rewards from switching provider should take account of the role of the Service. We would be happy to discuss with the CMA how promotion of the Service might be integrated into such wider action.

(g) the appropriate duration of the remedy and whether a 'sunset' clause should be included as part of the remedy design; and

As noted in our response to (c) above we are continuing our research to understand better customer engagement with the market and the effectiveness of our communications. We would anticipate that continued measurement and review of communications effectiveness would dictate the duration of this remedy.

(h) any RCBs to which we should have regard as being affected by the proposed remedy.

We would refer to our response in (c) above suggesting that it would be helpful to define a more effective measure of customer engagement in the market which in turn would potentially identify other RCBs.

5.2 PARAGRAPH 55 RESPONSE

(a) On what scale and over what period would it be necessary to conduct promotional activity to sufficiently increase awareness of the potential benefits of switching and confidence in the switching process?

A target of 75% consumer awareness and 75% confidence in CASS were agreed with HM Treasury prior to launch. To date these original targets across the UK adult population have not yet been met. Awareness has reached 74% while confidence is currently 10% lower. We have worked with TNS, an independent market research agency, to understand differences between our awareness tracking data and the survey conducted by the FCA. TNS suggested that the FCA questions on awareness tended to suppress customer response and that the Bacs questions represent a more appropriate method of evaluating 'awareness' since it provides a consistent time series. Our advertising planning model suggests that the target for awareness will be achieved next year, and further work is under way to understand how best to achieve the confidence target. We anticipate that continuous communications activity will be necessary to sustain these levels once achieved. Bacs is conducting further research to find how best value can be achieved from our communications investment to achieve that result in the future.

In line with the CMA's recommendations, Bacs committed to ensuring that public awareness and confidence in CASS is improved and sustained. A second burst of advertising is due to launch in the New Year, and Bacs are defining plans to continue this campaign into 2016/17 and beyond.

As mass confidence and awareness demands sustained marketing activity, participant banks and building societies have committed to £9.2m to be spent in 2016 on central activities to increase awareness and confidence.

Moreover Bacs is working closely with the participating banks to ensure CASS receives coverage through their individual advertising and customer communications. These activities are seen to create a 'halo' effect around the central campaign, increasing the visibility of the Trustmark and helping to drive awareness. In order to monitor and measure awareness and confidence, there is ongoing monthly tracking research. These figures may dip when we are not engaged in communications activity. This is something that will need to be monitored closely and more activity may be required in the future.

(b) What indicators should be used to evaluate the effectiveness of CASS promotional activity?

Awareness and confidence remain the fundamental indicators. However, other measures are also actively being evaluated, including "willingness to consider switching".

In order to maximise the value of our investment in our promotional activities Bacs has commissioned an advertising planning model which is used to develop our targeting and inform media planning. We also conduct advertising effectiveness research around each campaign so we can analyse and understand their performance and inform subsequent activity.

Although awareness and confidence tracking forms the basis of evaluation, there is wide-ranging analysis that can help provide further insights into how our switching services might best contribute to fostering competition in current account markets. These include:

- Understanding what drives customer confidence in CASS and the implications for our communications
- Identifying possible measures of effective competition in current account markets, how such measures could be quantified and tracked, and what the implications are for our services
- Investigating the potential for a range of more targeted interventions of different sorts, including digital channels and broader financial education initiatives
- Considering developing the switching market model developed in conjunction with the University of Bristol to investigate the relative impact of central and participant communication in shaping customer understanding and behaviour.

As a result of our earlier research with Optimisa on confidence measures we are about to commission further quantitative research to develop a more robust and insightful measure of what builds confidence in the Service amongst customers. Any new measure will be calibrated against the existing confidence measure. We would anticipate discussing the outcome of this work with the CMA.

(c) What specific obligations should be placed on current account providers in terms of including references to CASS in their marketing communications to customers?

The CASS rules include a set of brand guidelines dictating how the Service Trustmark and other artefacts must be used by participants in their advertising and customer communications. They are attached in Appendix B.

Participant banks and building societies have committed to the CASS Trustmark appearing on at least 60% of all relevant above the line advertising that is relevant to current accounts by the end of the year. This is designed to ensure consumers recognise CASS as an independent mark of quality for the switching process, generating both awareness and confidence. The use of the Trustmark is being measured by Ad Dynamix, a widely respected and independent marketing monitoring tool, as well as Bacs ensuring close engagement with Participants to ensure regular self-reporting and compliance tracking.

Through adherence to the CASS brand guidelines, Bacs has ensured that participants agree to communicate the same key messages about the service. This is designed to guarantee consistency and create clarity for potential switchers.

(d) Are there lessons we can learn from other sectors where switching rates have been low and where generic advertising has been undertaken to try to increase customer engagement?

Understanding and overcoming consumer inertia is key to Bacs and switching services more generally. As highlighted in this report, the lack of a contract end date differentiates the switching journey for current accounts from some other sectors – e.g. mobile phones. We are therefore investigating potential “trigger points” to help consumers think about their current accounts more regularly. With this in mind, we are also working to engage important third parties, notably:

1. Price comparison websites – Which?, MoneySuperMarket, uSwitch and GoCompare

2. Consumer champions – notably Martin Lewis, MoneySavingExpert
3. Trade bodies – Money Advice Service and Federation of Small Businesses

These bodies are influential in extending awareness but also provide consumers with invaluable confidence – unpacking the mechanics of the service, allaying concerns and dispelling myths.

Moreover, HMT is currently soliciting responses into “principles of switching” across a number of regulated markets. Bacs is responding and engaging with HMT in order to benefit from understanding lessons learnt that can be shared across industries. **(e) Are there particular customer segments or trigger points that should be targeted by such campaigns, in addition to those mentioned here?**

As part of Bacs’ Strategic Communication planning with Participants, a number of participant working groups have been started to examine how marketing activity can best promote CASS. Customer groups with low awareness and confidence are currently being explored by an audience mapping and prioritisation group. These include, but are not limited to, the following:

- SMEs
- Financially disadvantaged
- The young
- Other potentially relevant life Stages

As mentioned in response (d) above, manufacturing “trigger points” will be extremely important to marketing activity. Moreover, we will also be examining a group identified by behaviours that show they are actively considering switching and require more information – e.g. via search, or websites they visit. This may take shape across paid, owned or earned media channels and will be explored with participant banks and building societies.

(f) How should an increase in promotion be funded? If from current account providers, on what basis should they be expected to contribute? Should, for example, contributions be based upon current market shares of PCAs and BCAs or the net gains by each bank through CASS or a mixture of the two?

Prior to launch of the Service an agreement was reached with HM Treasury that the operational costs of the Service would be met via a per switch fee split evenly between the old and new bank. It was also agreed that the switch fee would not exceed £5 per switch for the first five years of operation. At current volumes this fee is adequate to cover the direct operating costs of the Service but is insufficient to fund the level of central advertising considered necessary to reach the awareness and confidence targets. The Service rules allow for exceptional costs to be recovered via a call to all participants based on their share of the current account market. This mechanism was intended to minimise any perceived barrier to entry by new competitors.

(g) Who should undertake such campaigns and who should be responsible for ensuring that they were effective, targeting appropriate customer groups, at relevant times with effective communications?

When the Service was being developed Bacs was selected as the most appropriate organisation to manage the Service once live. This was in part down to its extensive experience in the development and marketing of the Direct Debit scheme, another ubiquitous customer facing brand. Bacs has over

40 years experience across the full range of marketing services associated with consumer and business to business brands. It was directly involved in the development and execution of the CASS launch campaign and has subsequently worked with participants and the FCA to continue CASS brand building.

Bacs has also commissioned original research with the University of Bristol to understand the current account market dynamics and the role that communications can play in it. We have also developed a range of advertising effectiveness measures and work closely with our communications agency, to deliver an integrated campaign coordinating not just our direct advertising but also the activities of participants and other influencers on the market such as the PCWs. We have also worked closely with the FCA over the past year during its assessment of CASS and how its recommendations might best be fulfilled, including those concerning awareness and confidence.

As such Bacs believes that it remains the organisation best placed to continue its work developing and delivering campaigns to promote CASS.

6 REMEDY 3

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

6.1 PARAGRAPH 17 RESPONSE

(a) how effective the remedy is likely to be in remedying, mitigating or preventing the AEC it is intended to address in each of Great Britain (GB) and Northern Ireland (NI);

There are two issues being addressed with this remedy, availability of data and ability to compare it, which are identified in Bacs' review of research as major factors that increase the perceived cost of switch⁶⁷⁸. Multiple research papers indicate that current accounts are difficult to compare as it is a multi-dimension product and the cost/benefit of a current account is highly related to customer usage pattern. Making transaction data more available will help customers to compare different provider offers. However any difficulty in interpreting transaction/comparison data is likely to negate the remedy. Hence the effectiveness of this remedy depends on the design in balancing the data availability and complexity.

(b) whether there are any alternative remedies that would be as effective as the proposed remedy, or more so, in addressing the AEC and that would be less costly and/or intrusive;

One factor influencing the effectiveness of the remedy is how trustworthy the comparison information is to customers. This can be done through associating the comparison information with a household name or regulatory body. For example, in energy market, there is a list of Ofgem approved comparison websites where customers are reassured about the credibility of the information.

One possible alternative (subject to resolving any legal challenges) could be allowing a centrally governed website access to customer data. The central website, which acts as a PCW, conducts the comparison and provides a simple but informative report to the customer with various levels of detail to suit different engagement segments. The advantage of this solution will be security and trust in the handling of sensitive customer data.

Bacs' review of research also placed great emphasis on word of mouth (WoM) in customer engagement^{9,10}, especially around service quality, about which there's currently very limited information available. Therefore, it is critical that the central website encourages genuine WoM in addition to providing financial and functional comparison information, which is likely to be more effective than only enabling access to customer transaction data. However, as noted earlier the current level of customer engagement with current accounts limits the practical effectiveness of WoM.

⁶ "Consumer responses to dissatisfaction with financial service providers: An exploration of why some stay while others switch"- Journal of Financial Services Marketing Vol. 8 (2004), T Panther, J Farquhar

⁷ "CASS- The Consumer Reality"- Tesco Bank, July 2015

⁸ "Competition Booklet"- TSB, Oct 2015

⁹ "Angry customers, e-word-of-mouth and incentives for quality provision"- Journal of Economic Behavior & Organization (2012), A Heyes, S Kapur

¹⁰ "The effect of word of mouth on services switching: measurement and moderating variables"- European Journal of Marketing Vol 38 (2004), W. Bayon

Bacs currently operates a website dedicated to CASS (simplerworld.com). A major redesign of this site is planned for 2016, moving it away from its original purpose of supporting the launch campaign to be a more proactive site for customers investigating the current account market. Part of this new role could be to supplement the activities of participants and PCWs in helping customers to understand offers in the market. We would be happy to work with others such as the BBA and PCWs to investigate solutions to this remedy.

(c) whether the design of the remedy should be adapted to take account of the requirements of different customer groups, for example consumers and SMEs or particular subgroups within these categories;

The price comparison tools should be adapted for SME business accounts and PCAs as evidently there are different comparisons criteria required for a business account versus a personal current account.

Moreover, Bacs' review of research suggests that customers can be segmented based on their information access/assessed capability. The remedy should consider not only the online channel as certain customer groups might not feel confident in using online tools. The design of the comparison function and information should also incorporate a certain level of flexibility to allow a different degree of complexity to suit specific customer segments. Customers could be segmented by targeted but unobtrusive questions. This segmentation could be corroborated by the current provider, which they could be obliged to submit to the central website/PCW, depending on the final remedy design.

(d) whether the remedy or a variant would overlap or conflict with any other regulatory intervention planned or in contemplation, including EU directives (for example, the first or second Payment Services Directive (PSD), the Payment Accounts Directive (PAD) or Consumer Credit Directive);

If the solution is to minimise customer manual involvement, it will require customer consent to share their personal sensitive data with third parties and relevant regulations need to be considered.

(e) whether the remedy may give rise to unintended consequences and, if so, what these might be and how they could be prevented or mitigated;

There is certainly a risk of credibility destruction should there be a TalkTalk type security violation involving bank details and financial status which has implications for credit worthiness etc. This can be mitigated by security design around the data transmission channels and storage.

(f) whether the CMA should seek to implement the remedy itself via an order or by seeking undertakings, or whether it should make a recommendation that another body, such as the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), Payment Systems Regulator (PSR), or HM Treasury (HMT), implement the remedy;

As PCWs are currently regulated by FCA, the FCA can be a possible body to oversee the implementation of this remedy, whether the solution is to utilise existing PCWs or a new centrally governed website. Alternatively since Midata initiative was led by HMT, HMT could also be considered.

(g) the appropriate duration of the remedy and whether a 'sunset' clause should be included as part of the remedy design; and

A time limit would be inappropriate for this remedy given that it involves continually changing market information.

(h) any RCBs to which we should have regard as being affected by the proposed remedy

Bacs does not believe there are.

6.2 PARAGRAPH 74 RESPONSE

(a) How quickly could the proposed enhancements for Midata, including agreement on a common API standard, be implemented? To what extent, if at all, would this be constrained by other legislation, in particular the payment services directives?

Bacs does not have a view on how quickly this change could be implemented.

(b) Are the proposed improvements to the features and functionality of Midata set out here those most likely to be helpful to potential users? Are there other improvements which would be as or more helpful and if so, what are they? Could, for example, Midata be used to highlight aspects of an account holder's usage which are likely to vary significantly between providers but which are particularly difficult to compare, such as overdraft charges?

The proposed improvements to Midata will improve the information accessibility. However, as described previously, a certain level of flexibility should be designed into the solution, including the design of the presentation of the comparison information, to cater for customers with different levels of information access/assess capability.

(c) What technical or regulatory obstacles, if any, are likely to be faced by PCWs wishing to host the Midata service? Are, for example, banks' terms for SMEs sufficiently transparent for PCWs to be able to populate their systems? Are there improvements to the current format and content of Midata files that would facilitate more effective use by intermediaries such as PCWs?

If a third party, such as a PCW, is to host Midata, the format of the information should be standardised across different providers for both PCA and BCA. This will allow better data input and higher quality of comparison information. However, as mentioned previously the actual comparison information should vary between PCA and BCA.

Alternatively a data mapping function needs to be built into the solution. There's also a potential debate regarding data storage and retention period, which could prove to be an obstacle due to regulation restrictions.

(d) For the remedy to be effective, would it be necessary to adopt supporting measures to ensure that the benefits of using Midata on PCWs were promoted? Who should be responsible for raising awareness of the benefits of using Midata for account comparisons?

According to Bacs' review of research, the two major contributors to customer perceived cost of switching are effort of research required and risk associated with the actual switching process. Therefore combining CASS communication and Midata, could lower the perceived cost of switching. As Bacs is responsible for CASS communications, we could investigate how we can effectively include Midata in the communication strategy.

(e) Is it necessary to require providers to make customers' Midata files easier to locate on their online and mobile banking websites or would this be unnecessary if banks adopted common API standards?

If the final solution is highly automated and PCWs can access customer data directly from the provider, it shouldn't be required to make Midata files easier to locate. However if the solution still requires customer manual involvement in downloading the data and uploading it onto the PCW, it should make it more accessible for customers.

(f) What technical difficulties, if any, would arise from adopting the Midata data standards for BCA transaction histories? In what respect do they differ from those associated with PCA information? Does this differ between SMEs?

Due to the broad definition of SMEs, the transaction volume and value differs depending on different types of SMEs and hence makes it difficult to define a standardised data format for all. In general the transaction volume/value and complexity, for SMEs would be far greater than that of PCAs. If there are to be standards for SMEs, they need to be differentiated from standards for PCAs.

(g) Should Midata be available for all SMEs? Should there be an upper turnover limit for SMEs with access to Midata? If so, where should this be set?

Currently CASS is available for SMEs with turnover up to £6.5 million, which covers around 99% of SMEs within the UK. SMEs with a turnover of more than £6.5 million tend to be more complex and are therefore more likely to negotiate with providers regarding their account offers. As the purpose of Midata is to facilitate comparison of account products, £6.5 million will be, from Bacs' perspective, a sensible threshold for more meaningful comparison information for SMEs.

(h) Are there other approaches to facilitating price comparisons between BCA and PCA providers that would address our concerns but be implementable sooner? Could existing measures to address some of these concerns, for example the use by the larger banks of 19 standard scenarios to present unarranged PCA overdraft charges, be improved or extended and if so how? Are there other elements of bank charges that should be made easier to understand through the introduction of new, or the enhancement of existing, measures?

Bacs' review of research indicates the importance of the comparison of service quality via word of mouth¹¹. This could potentially be implemented by facilitating customer discussion on trusted and governed channels such as price comparison websites or social media.

The research also suggested that having multiple accounts enables customers to make direct comparisons between their providers from both a functional and relational perspective. However this information would normally be utilised towards the end of the customer decision process, when the customer has already limited their choice to two or three providers. The partial switch function within CASS can support this solution and corresponds to Remedy 11.

As noted earlier Bacs is continuing its research with the University of Bristol which we believe could provide further insight into how customers might be more effectively engaged in the market. In addition to shaping our future communications activity this work may suggest alternative interventions such as through financial education initiatives that might also prove effective in addressing the aims of this remedy.

¹¹ "The effect of word of mouth on services switching: measurement and moderating variables"- European Journal of Marketing Vol 38 (2004), W. Bayon

(i) How could it be made easier for customers who lack internet access or IT skills to make price comparisons between providers?

As mentioned earlier in relation to customer segmentation, the design of the remedy should incorporate a certain level of flexibility and should not be limited to the online channel to cater for customers with different levels of information access/assess capabilities.

7 REMEDY 4

A PCW for SMEs.

7.1 PARAGRAPH 17 RESPONSE

(a) how effective the remedy is likely to be in remedying, mitigating or preventing the AEC it is intended to address in each of Great Britain (GB) and Northern Ireland (NI);

A key distinction between a PCA and BCA is that a BCA customer is more likely to be charged for the core service payments after any initial free period. This may render a PCW for SMEs more effective overall as there is a 'price' that can be compared more easily than for PCA. However, this potential will be negated if the comparison does not include other important considerations such as ease of access to and cost of loans as and service quality. The design of the comparison function needs to factor in the negotiation element, which is common in the BCA market.

(b) whether there are any alternative remedies that would be as effective as the proposed remedy, or more so, in addressing the AEC and that would be less costly and/or intrusive;

A PCW is likely to be the most effective remedy to address the targeted AEC because the site could take on the complexities of the comparison and act as an initial screening tool before SMEs proceed to have direct conversation with providers regarding more tailored details. However a dedicated PCW for SMEs is unlikely to be effective in isolation, and that wider education on the range of providers available and the services they offer may well be more effective.

(c) whether the design of the remedy should be adapted to take account of the requirements of different customer groups, for example consumers and SMEs or particular subgroups within these categories;

As mentioned in our response to Remedy 3, flexibility needs to be built in the PCW solution to allow targeting of specific SME segments, such as different sizes, funding needs and scope of operation, e.g. international.

(d) whether the remedy or a variant would overlap or conflict with any other regulatory intervention planned or in contemplation, including EU directives (for example, the first or second Payment Services Directive (PSD), the Payment Accounts Directive (PAD) or Consumer Credit Directive);

If the solution is to minimise SME manual involvement, it will require customer consent to share their sensitive data with third parties and relevant regulations need to be considered.

(e) whether the remedy may give rise to unintended consequences and, if so, what these might be and how they could be prevented or mitigated;

There is certainly a risk of credibility destruction should there be a TalkTalk type security violation involving bank details and financial status which has implications for credit worthiness etc. This can be mitigated by security design around the data transmission channels and storage.

(f) whether the CMA should seek to implement the remedy itself via an order or by seeking undertakings, or whether it should make a recommendation that another body, such as the

Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), Payment Systems Regulator (PSR), or HM Treasury (HMT), implement the remedy;

As PCWs are currently regulated by FCA, the FCA can be a possible body to oversee the implementation of this remedy, whether the solution is to utilise existing PCWs or a new centrally governed website. Alternatively, if this remedy is to be delivered together with Remedy 3, where improvement of Midata is in scope, HMT could also be considered.

(g) the appropriate duration of the remedy and whether a ‘sunset’ clause should be included as part of the remedy design; and

A time limit to the remedy is not recommended as the comparison database will be more robust with time.

(h) any RCBs to which we should have regard as being affected by the proposed remedy

Bacs does not believe there are.

7.2 PARAGRAPH 80 RESPONSE

(a) What products should a PCW for SMEs include? What content, features and functionality should it provide?

The SME sector is large and relatively complex, with many different requirements based on multiple factors such as age, business type, and channels used. As noted above this area could well benefit from greater focus on financial education before the role of a dedicated PCW can be effectively defined. In the first instance though a simple site with similar functionality to PCA sites would serve smaller and simpler businesses.

Key functionality could include a mechanism to help the SME determine their needs and how those might best be fulfilled by competitive offerings.

(b) As well as including standard BCA tariffs should it also offer indicative pricing of loans and overdrafts where these are bespoke? If so, how could these best be presented?

A PCW for BCAs could usefully include information other than BCA tariffs. CMA’s research¹² indicates that consequent financing is a key factor influencing SME decision on their BCA provider. The PCW would likely to be ineffective if the financing information is absent from the comparison information. However due to the bespoke nature of a BCA, the financing information should be communicated to facilitate SMEs’ follow-up conversation with each provider, rather than in a definitive state.

(c) Would the creation of an effective SME PCW be contingent on the extension of the Midata project to SME data? If not, given the transactional pricing models used by most banks for their BCAs, how best could comparisons be made? Would standardised business profiles offer a practicable alternative and how could these be derived for start-ups with no transaction history?

It is sensible to extend the Midata model for SMEs and this could ensure the input data quality and consequently the comparison information quality. This also creates synergy in terms of awareness

¹² “SME follow-up survey results”- CMA, August 2015

and confidence in Midata if it covers both PCA and BCA. Bacs' review of research suggests that Remedy 3, Remedy 4, and Remedy 5 should be delivered in conjunction.

(d) If providers were to create a PCW what financial arrangements would be appropriate for its funding? Could support be restricted to the provision of, for example, some form of seed funding or temporary extra support until the PCW became commercially viable? Alternatively, would it be necessary for the industry to support it longer term?

Not applicable to Bacs.

(e) Are there arrangements that could be put in place to provide commercially operated PCWs with the incentive and the ability to extend their coverage to SME banking services? What might these entail?

Bacs is not able to comment on this question.

(f) Were such a PCW to be established, what form of oversight would be necessary to ensure that its information was accurate and up to date? (g) What technical or regulatory obstacles, if any, would arise from this remedy? How could they be overcome?

PCWs are regulated by the FCA. The information regarding products should be monitored by providers as it's in their best interest to keep the information accurate and attract customers. Periodic auditing of the information should be conducted by the FCA to identify the compliance level.

(g) What technical or regulatory obstacles, if any, would arise from this remedy? How could they be overcome?

Due to the complexity of BCAs compared to PCAs, the design of the comparison functionality needs to cater for more dimensions. Potential large data volumes will also have an impact on data processing capacity. Additionally, similarly as for PCAs, there would be a data protection issue that needs to be solved, whether there's temporary or certain period of data retention on the PCW.

(h) What would be a reasonable timetable for the creation and launch of a PCW for SMEs? (i) In advance of, or in addition to, the creation of a PCW for SMEs, what requirements should apply to the disclosure of charges and terms made available by providers of SME banking services? Should their charges and terms for loans, for example, be presented in 21 standard format? More generally, would it be practicable to apply some or all of the requirements equivalent to those of PAD to BCAs and, if so, which?

Bacs is not able to comment on this question.

8 REMEDY 5

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

8.1 PARAGRAPH 17 RESPONSE

(a) how effective the remedy is likely to be in remedying, mitigating or preventing the AEC it is intended to address in each of Great Britain (GB) and Northern Ireland (NI);

The current account product is one that has little scope for differentiation on the core payment services offered. Also given the highly automated nature of payments most customers have few perceived service experiences. Thus in defining a measure of service quality it will be necessary to consider the bounds of what service experience is being measured.

Bacs' review of research indicates a high level of inertia in the current account market¹³¹⁴. It follows that high inertia customers, who stay with their current provider despite being dissatisfied, are unlikely to respond to comparisons of service quality.

Conversely, low inertia customers who either suffer poor service or experience good service are more likely to engage in WoM upon which Bacs' review of research places significant weight in the context of customer engagement. The comparison information on service quality needs to be combined with functional comparison information to form a more effective set of information. As a result the remedy will be more effective if delivered along with Remedy 3.

(b) whether there are any alternative remedies that would be as effective as the proposed remedy, or more so, in addressing the AEC and that would be less costly and/or intrusive;

Bacs' review of research indicates that WoM is likely to have greatest effect in driving customer engagement in the context of service quality¹⁵. This can be implemented through either a centrally governed discussion forum, creditable PCW, or social media.

(c) whether the design of the remedy should be adapted to take account of the requirements of different customer groups, for example consumers and SMEs or particular subgroups within these categories;

As noted above it will be critical to define the measure of service quality carefully. It will be critical for this remedy to take into account engagement related customer segments, such as high/low inertia and preferred communication channels. The measurement mechanism used for the proposed remedy must allow for effective analysis of different customer types' responses.

(d) whether the remedy or a variant would overlap or conflict with any other regulatory intervention planned or in contemplation, including EU directives (for example, the first or second Payment Services Directive (PSD), the Payment Accounts Directive (PAD) or Consumer Credit Directive);

¹³ "interactions and consequences of inertia and switching costs"- Journal of Services Marketing, Richard Lee, Larry Neale (2012)

¹⁴ "Engagement with current accounts and the switching process"- FCA, March 2015

¹⁵ "The effect of word of mouth on services switching: measurement and moderating variables"- European Journal of Marketing Vol 38 (2004), W. Bayon

Bacs does not believe there are.

(e) whether the remedy may give rise to unintended consequences and, if so, what these might be and how they could be prevented or mitigated;

Comparison information and messaging that fails to engage is likely to immunise customers, rendering it difficult to invoke engagement even when timing may be appropriate.

(f) whether the CMA should seek to implement the remedy itself via an order or by seeking undertakings, or whether it should make a recommendation that another body, such as the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), Payment Systems Regulator (PSR), or HM Treasury (HMT), implement the remedy;

If the remedy is to be implemented through a PCW, the FCA would be a suitable candidate as set out in the previous responses. However if the solution puts more weight on a central function, Bacs could potentially incorporate part of the solution into its communication strategy.

(g) the appropriate duration of the remedy and whether a ‘sunset’ clause should be included as part of the remedy design; and

There is no reason for limiting service quality comparison by time. Perpetual update would be more appropriate with the qualification that it should be targeted in order to be effective.

(h) any RCBs to which we should have regard as being affected by the proposed remedy.

Bacs does not believe there are.

8.2 PARAGRAPH 88 RESPONSE

(a) What are the key facets of service quality for consumers and SMEs? Are these likely to differ between subsets of these groups and if so in what way?

On a broader scale, according to Bacs’ review of research concerning reasons for switching in service industries¹⁶, service quality can include:

- Price (which included other financial factors)
- Convenience
- Core product service
- Service encounters
- Response to failed service/ complaints
- Ethical problems

Perceptions on these factors work in combination and form an overall view on a provider’s service quality. Depending on different customer segments, the weighting on each factor differs. This

¹⁶ “Customer Switching Behavior in Service Industries: An Exploratory Story”- Journal of Marketing Vol 59 (1995), S Keaveney

weighting is still under investigation within Bacs' review of research. The service quality measure will also need to understand factors such as access to branches and other channels.

(b) How should performance in respect of these facets be measured? Are these facets currently measured by or for most providers and, where they are, do they employ common or standard measures?

The most commonly measured factors are response to failed service/complaints and an overall customer satisfaction score. However the methodology differs across different providers. Consequently, at the moment, we are not aware of any widely recognised and creditable source of comparison information on service quality.

(c) Is the demographic and geographic scope of current commercially available satisfaction surveys adequate? Are sample sizes sufficient to adequately reflect satisfaction with newer or smaller banks, for example, or in particular parts of the UK?

There are a number of omnibus surveys available that can provide robust measures of performance across most established participants in the current account market. However, given the number and mix of new entrants who have either joined or are considering joining CASS it is unlikely that a single mechanism could cover all participants.

(d) How should quality information be disseminated? For example, by providers publishing service quality data on their websites, within communications to customers and/or at branches? To what extent would such requirements overlap or be in conflict with PSD2?

Given the weight Bacs' review of research places on WoM and trust, it would make more sense that service quality data be held with independent and credible PCWs. However Bacs could have involvement if a central function was considered.

(e) In addition, or alternatively, would there be merit in providers funding and procuring a third party to undertake and disseminate comparative service quality data? What are the relative merits of these different approaches?

As described previously, given the importance of WoM regarding service quality, it is more effective to have the service quality data to be held and communicated by a credible third party, such as approved PCWs. The comparison information will be more credible in this way. As noted earlier we are looking to develop the CASS website further during 2016. It already lists all the participant brands and we are considering providing further information and enhancing how bank information is presented. This type of information could be considered for inclusion.

(f) What monitoring and oversight arrangements would be necessary in order to ensure that service quality data provided by banks was accurate, up to date and not misleading? Who should provide this oversight and how should it be funded?

Customers have inherent low level of trust in banks. Consequently, faith in published quality data must be policed by the regulator using strictly enforced common standards and measurement methodology. The CMA or FCA will be in the best position to oversee the implementation.

9 REMEDY 6

Standardise and simplify BCA opening procedures

9.1 PARAGRAPH 17 RESPONSE

Account opening is an area that does not traditionally lie within Bacs remit, falling in the competitive arena. However during the design of CASS it was noted that customers did not necessarily differentiate between the account opening and switching processes. Consequently we worked with participants to identify a number of factors associated with account opening that could impact on perceptions of CASS, such as ensuring the new account was enabled with a debit card, before the switch completed. This led to a number of account opening points being included in the Service rules.

Bacs is willing to assist with the account opening process in general and the BCA process in particular by contributing towards the delivery of best practice where it is appropriate to do so. In this regard we would be happy to work with the BBA and others as appropriate to investigate further this remedy.

(a) how effective the remedy is likely to be in remedying, mitigating or preventing the AEC it is intended to address in each of Great Britain (GB) and Northern Ireland (NI);

Assuming the legal hurdles, liability issues, AML, KYC/KYB and fraud prevention measures can be addressed in a way that adequately safeguards the account provider whilst offering a simpler account opening process for the customer then we believe the remedy should encourage more businesses to switch supplier.

(b) whether there are any alternative remedies that would be as effective as the proposed remedy, or more so, in addressing the AEC and that would be less costly and/or intrusive;

Bacs is not aware of any alternative remedies that are likely to work as effectively in the short term.

(c) whether the design of the remedy should be adapted to take account of the requirements of different customer groups, for example consumers and SMEs or particular subgroups within these categories;

Bacs does not believe this is necessary and is contrary to the overarching ethos of this remedy which is to 'standardise and simplify'. Any solutions in this area should offer comparability across channels.

(d) whether the remedy or a variant would overlap or conflict with any other regulatory intervention planned or in contemplation, including EU directives (for example, the first or second Payment Services Directive (PSD), the Payment Accounts Directive (PAD) or Consumer Credit Directive);

Bacs believes that all proposals in this area will require careful legal scrutiny and possibly changes to existing UK laws.

(e) whether the remedy may give rise to unintended consequences and, if so, what these might be and how they could be prevented or mitigated;

Subject to the other cautionary comments noted above there is a risk that imposing a common process results in a lack of innovation and overall stagnation in this market because one of the

incentives to innovate has been removed. Both the account opening process design and the associated risk decisions on customers and lending are in the competitive space so over regulation may have the impact of reducing effective competition.

(f) whether the CMA should seek to implement the remedy itself via an order or by seeking undertakings, or whether it should make a recommendation that another body, such as the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), Payment Systems Regulator (PSR), or HM Treasury (HMT), implement the remedy;

In an area as sensitive as account opening with a number of regulations and legal requirements involved a more prudent option would be to stop short of issuing an order and rely instead on seeking undertakings should this prove necessary.

(g) the appropriate duration of the remedy and whether a ‘sunset’ clause should be included as part of the remedy design; and

A sunset clause would not appear relevant in this situation.

(h) any RCBs to which we should have regard as being affected by the proposed remedy

Bacs does not believe there are.

9.2 PARAGRAPH 92 RESPONSE

a) If common standards were promoted what form should these take and what data requirements would be appropriate?

As previously noted Bacs would be willing to work with the BBA and appropriate organisations to consider how a best practice guideline might be developed to sit alongside the account switching best practice guidelines already issued.

(b) Would it be practicable or desirable to require providers to accept a ‘CDD data pack’ which enabled the customer to ‘recycle’ AML checks carried out by the customer’s current bank?

There are questions around who would be liable in the event that something is incorrect or goes wrong. Therefore we believe such a proposal requires careful consideration and legal input as part of the initial investigation and feasibility phase.

(c) Should a distinction be made between different types of SME with, for example, smaller SMEs or those comprising a particular business entity, such as sole trader, being liable to less onerous checks?

Bacs does not believe this is necessary and is contrary to the overarching ethos of this remedy which is to ‘standardise and simplify’.

(d) To what extent, if any, could measures to streamline the account application process cut across AML or KYC requirements?

Care will be required here because legal requirements in respect of AML and KYC/KYB may mean desirable outcomes like setting a maximum timeframe cannot always be achieved. The position is perhaps not dissimilar to the Payment Services Regulations that grants exemption from payment

processing timeframes stipulated within the regulations where issues such as AML and fraud need to be investigated. Therefore if the remedy is crafted in this way it would make it more workable.

(e) To what extent could this remedy give rise to unintended consequences, for example blunting banks' incentives to compete on how quickly they can process a BCA application?

One inevitable conclusion over time may mean that a standardised account opening process leads to a standardised account rendering competition in this market redundant. Another could be the lack of an incentive to improve and compete with competitors, causing an overall 'dumbing down' of the process.

(f) Are there other measures that would reduce the time it takes to open a BCA? Would an outcome measure, such as the average or minimum time it took BCA providers to process an application, be appropriate as the basis for a remedy?

It is challenging to see how the emergence of unhelpful behaviours as a result of this remedy can be avoided. Imposing timeframes and a standardised approach is likely to remove the incentive to make the process even quicker. However, if it provides a degree of certainty for customers they may feel happy about the outcomes and accept the compromise.

10 REMEDY 7

Make it easier for prospective PCA customers to find out, before initiating the switching process, whether the overdraft facilities they were seeking would be available to them from another provider.

10.1 PARAGRAPH 17 RESPONSE

Bacs would be willing to contribute towards consideration of best practice where it is appropriate to do so. In this regard we would be happy to work with the BBA other appropriate organisations.

(a) how effective the remedy is likely to be in remedying, mitigating or preventing the AEC it is intended to address in each of Great Britain (GB) and Northern Ireland (NI);

CASS already provides the capability for customers to switch their current account if they are overdrawn. The new current account provider may be able to provide an overdraft facility or help pay off any overdraft operated on the old account, however this is subject to normal lending criteria which is dependent on the provider.

The FCA report 'Making current account switching easier' cited the provision of a satisfactory overdraft facility as a key factor for customers requiring such a facility when switching their current account to a new provider. The report also indicated that there was an issue with CASS for customers that had not arranged a new overdraft facility ahead of initiating the switch process, resulting in a switch that was not necessarily simple or hassle free.

Bacs is seeking to address this issue by delivering awareness activities aimed at consumers in 2016. More details in (b).

(b) whether there are any alternative remedies that would be as effective as the proposed remedy, or more so, in addressing the AEC and that would be less costly and/or intrusive;

Bacs is currently investigating messaging which could provide guidance to customers with an overdraft. Bacs is working to include this messaging as part of the central advertising campaign in 2016.

The messaging for this campaign is to be finalised, however the guidance is likely to include:

- When making a decision to switch, use comparison websites, along with Midata (where available) to identify the best fit product options.
- Utilise transaction histories on the old account (i.e. download the least 3 years or longer if possible) and use this to aid in negotiations with the new bank.
- During the pre-switch discussion or online process with the chosen new bank, ensure they are aware an overdraft is operated at the old bank, regardless of whether the overdraft facility is regularly used.
- Before initiating the switch, discuss with the new bank on what overdraft facilities can be offered. If the new bank cannot offer a satisfactory overdraft facility, this could be a key switch consideration for choosing an alternative provider.

- Before initiating the switch, establish and agree with the New Bank the maximum amount which can be made available to clear the existing overdraft facility (if a negative balance is anticipated on the switch date).

(c) whether the design of the remedy should be adapted to take account of the requirements of different customer groups, for example consumers and SMEs or particular subgroups within these categories;

The fundamental requirements for granting an overdraft facility will be broadly similar regardless of the customer group or market segment involved. The issue in question is whether or not it is reasonable and desirable for every bank to grant an identical overdraft facility based on a pre-determined set of information and whether there should be ceilings in place such as a maximum value depending on income information and overall ability to service the debt, whilst at the same time enabling banks to act responsibly. Bacs would not normally envisage becoming involved in such matters as this is not our area of expertise.

(d) whether the remedy or a variant would overlap or conflict with any other regulatory intervention planned or in contemplation, including EU directives (for example, the first or second Payment Services Directive (PSD), the Payment Accounts Directive (PAD) or Consumer Credit Directive);

Bacs is not aware of any conflicts with the above.

(e) whether the remedy may give rise to unintended consequences and, if so, what these might be and how they could be prevented or mitigated;

If not implemented with care there is a possibility the outcome results in the offer of a standard overdraft facility for all eligible customers that is not very high, which then takes time before it is increased (a bit like credit card limits where any increases are based on usage and account service record). This may discourage customers with an active (large) overdraft facility from switching because it would deliver a result broadly similar to the current perceived position.

In the event that one outcome results in the widespread use of the partial switch this may also lead to an increase in dormant accounts, thereby introducing both unnecessary cost and potential loss of touch with funds by customers.

(f) whether the CMA should seek to implement the remedy itself via an order or by seeking undertakings, or whether it should make a recommendation that another body, such as the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), Payment Systems Regulator (PSR), or HM Treasury (HMT), implement the remedy;

Bacs believes the best approach would be for the CMA to seek undertakings from the industry leaving the industry to come up with the right solution (working with the CMA) which may take time to implement to ensure better outcomes are achieved in a consistent way.

(g) the appropriate duration of the remedy and whether a 'sunset' clause should be included as part of the remedy design; and

A sunset clause would not appear relevant in this situation.

(h) any RCBs to which we should have regard as being affected by the proposed remedy

Bacs does not believe there are.

10.2 PARAGRAPH 98 RESPONSE

(a) Is it practicable to require banks to provide a definitive answer on overdraft applications early on in the account-opening process? Would doing so be likely to extend the length of the process?

The additional information required before granting an overdraft facility may well extend the account opening timeframe, and until a switch is contemplated the provision of an overdraft facility at the new bank may not be a priority or even granted until the customer commits to a switch.

(b) Would a tool such as we describe, while not providing customers with a definitive answer, nonetheless be useful in identifying possible lenders?

Bacs believes it would.

(c) Are there other approaches to making the application process easier or more transparent for customers who require overdraft facilities?

There is always a balance to be struck when making it easier for customers to gain access to credit. Making good lending decisions is a skill that banks preserve through comprehensive staff training programmes. In this regard Bacs does not believe customer education is a primary consideration in the drive to build customer confidence in the switching service.

(d) Would partial switching (see remedy 11) lessen the problem by at least permitting customers to retain their existing overdraft facilities in the event that the new provider did not grant them the required facilities? Alternatively, if a customer made a partial switch, would this affect the overdraft facilities available to them?

Bacs believes the most likely outcome is a limited overdraft facility at the new bank or none at all in the case of certain customer segments. Banks will rightly take a prudent approach before offering a customer access to a new overdraft facility that could double their debt (e.g. their old account and overdraft facility remains available).

(e) What technical or regulatory obstacles, if any, would arise from this remedy? How could they be overcome?

There will inevitably be concerns about how it will be possible to ensure banks are not accused of mis-selling. Bacs is not sure this remedy sits comfortably alongside the overarching requirement to ensure debt does not become a way of life for some people and by making it easier to get an overdraft this may be the result. Before granting an overdraft facility a track record must be an essential component together with income and expenditure confirmation.

11 REMEDY 8

Require payments into the old account to be redirected to the new one for a longer period than at present.

11.1 PARAGRAPH 17 RESPONSE

This issue was also highlighted in the FCA March 2015 report. In response Bacs has been working with the participant organisations, through a working group, to investigate and deliver a solution that addresses the issue whilst ensuring the level of risk to the UK payments systems is carefully managed. Bacs has ensured that the FCA have been fully advised and updated throughout.

(a) how effective the remedy is likely to be in remedying, mitigating or preventing the AEC it is intended to address in each of Great Britain (GB) and Northern Ireland (NI);

CASS operates across the UK in a standard way, there are no geographic variances.

Research conducted as part of the Service design processes and subsequently has shown that customers are concerned that payments may get lost during the switching process. As a consequence the redirection service has been central to the Service customer proposition from the outset. Customers clearly understood that the original 13 month redirection period was designed to capture annual payments. However, subsequent research has shown that an extended redirection period starts to introduce doubt into customers' minds, suggesting that there may be more fundamental problems with the CASS and potentially the payment services themselves.

The introduction of CASS has highlighted an issue particularly with Bacs and Faster Payments service users failing to act on messages sent to them to update payment records. The Bacs members have recognised that this is a payment Scheme rather than CASS issue and have put in place a range of activities to address this compliance issue. However, there will inevitably remain a risk (albeit small) that payments continue to be sent to the old account. Prior to implementation of further remedial actions, only 3% of customers have any payments requiring redirection.

In response to the March 2015 FCA Report the industry has considered the issue covered by this remedy in depth and put in place a series of actions to minimise the risk of payments not reaching the correct account. These include extending the redirection period for those customers impacted and amending the guarantee to remove reference to the redirection period having a finite period. It is believed that this change will significantly strengthen the Guarantee in the eyes of the customer since it removes any concern over what happens when the redirection period ends and does not raise doubts about the Service by suggesting that there may be some persistent long term problem.

Bacs is confident that the introduction of this solution will resolve the issues targeted in this proposed remedy. Therefore the AEC will already have been addressed and no further action will be required. We are happy to work with the CMA further to ensure full understanding of the changes being made and how they meet the proposed remedy

(b) whether there are any alternative remedies that would be as effective as the proposed remedy, or more so, in addressing the AEC and that would be less costly and/or intrusive;

Bacs does not believe there are.

(c) whether the design of the remedy should be adapted to take account of the requirements of different customer groups, for example consumers and SMEs or particular subgroups within these categories;

The solution being implemented does not differentiate between consumers and SMEs because both are treated in exactly the same way.

(d) whether the remedy or a variant would overlap or conflict with any other regulatory intervention planned or in contemplation, including EU directives (for example, the first or second Payment Services Directive (PSD), the Payment Accounts Directive (PAD) or Consumer Credit Directive);

Bacs does not believe it does.

(e) whether the remedy may give rise to unintended consequences and, if so, what these might be and how they could be prevented or mitigated;

Any move to some form of indefinite redirection of payments which could be construed from the proposed remedy would risk undermining the integrity of the payment schemes affected by restricting the certainty of fate of payments. That would be a disproportionate risk compared to the limited perceived impact on competition that might be achieved.

(f) whether the CMA should seek to implement the remedy itself via an order or by seeking undertakings, or whether it should make a recommendation that another body, such as the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), Payment Systems Regulator (PSR), or HM Treasury (HMT), implement the remedy;

Bacs does not believe it is necessary for the CMA to issue an order or seek undertakings given the work that is already well underway working with the FCA using an open and transparent communication process.

(g) the appropriate duration of the remedy and whether a 'sunset' clause should be included as part of the remedy design; and

The proposed solution outlined above will form a permanent part of both the Service and scheme operations and as such does not require a sunset clause.

(h) any RCBs to which we should have regard as being affected by the proposed remedy

Bacs does not believe there are.

11.2 PARAGRAPH 107 RESPONSE

(a) If the current 36-month redirection period were to be extended, how long should it be? Would it be practicable to extend it in perpetuity, for example?

In order to mitigate the systemic risk from adversely affecting the operational efficiency and delivery of the Bacs and Faster Payment services Bacs believes the combination of measures it is taking will ensure the small number of customers who may require a continuation of the redirection service after 3 years are safeguarded.

Bacs does not believe it is practicable to extend redirection in perpetuity and would be happy to explain the rationale for this position to the CMA.

(b) Are there technical or regulatory obstacles to extending the redirection period further? If so, how could these be overcome?

Bacs understands that unmanaged exposure to the risks associated with indefinite redirection would contravene a Bank of England Payment Systems Oversight & Policy directive in respect of the Bacs payment system.

(c) Would extending the redirection period give rise to unintended consequences? Would it, for example, lessen the incentive of payors to amend their payment details?

If the sort code and account number combination that together forms a unique address for each customer is not updated then ultimately for those customers electing to switch using CASS the payment service provider responsible for transmitting the payment will have no idea where they are sending the funds and who they are settling with until after the payment has been centrally redirected.

The answer to question (b) above also applies here and an unlimited redirection period for all would also fundamentally undermine the integrity of customer payment instructions for all CASS users.

(d) Would ANP be more likely than a longer redirection period to increase customers' understanding of and confidence in the switching process? Would it particularly be of benefit to some customer groups?

Bacs does not believe ANP would help above and beyond the existing proposals that Bacs already has in course of being delivered. For example ANP does not:

- Provide a solution for multi-banked consumers and businesses (customers) wishing to open new accounts or merge existing ones. The number of consumers choosing multi-banking is something that is becoming more common as more products emerge, possibly as a consequence of CASS. The variety and range of current account products and providers coupled with an ability to move money in real time means consumers can manage their affairs anywhere, anytime. A case for ANP does not appear compelling.
- Provide a solution for customers wishing to open a second account and transfer some of their payment arrangements to that account.
- Help couples splitting up or students dissolving a common account used to pay bills when parties leave or join (or other similar scenarios)

ANP could create as many new problems as it may solve because it does not appear to readily lend itself to the real lifestyle choices that customers make. We note that research by Tooley Street Research¹⁷ indicated that ANP was not a deciding factor for customers when considering whether to switch current accounts. Indeed for some customers if ANP were seen as making the underlying system more complex it would make switching less attractive.

(e) If a longer redirection period was adopted, would further remedies be needed to improve confidence in and uptake of CASS, for example compensation for errors arising from redirection?

¹⁷ Towards World Class: The Consumer View of Current Accounts and Payments, June 2015

As noted earlier the redirection service was designed to address the key customer concern that payments might be lost during the switching process. It is believed that the proposed strengthening of the customer Guarantee by removing reference to a specific redirection period will do more to engender confidence than any further technical changes. By including the redirection feature in the Guarantee the customer already has the reassurance that if anything does go wrong with a payment then they will be refunded any lost interest or charges incurred.

12 REMEDY 9

Require banks to retain and provide ex-customers, on demand, with details of their BCA and PCA transactions over the five years prior to their account closure.

Bacs is not in a position to comment on this remedy.

13 REMEDY 10

Require Bacs to transfer continuous payment authorities on debit cards when switching through CASS.

13.1 PARAGRAPH 17 RESPONSE

Continuous Payment Authorities (CPAs) are products owned and operated by the international card schemes, MasterCard and Visa. Both are subject to internationally set rules and regulations. The true nature of CPAs is frequently misunderstood by customers who do not distinguish them from Direct Debits even though they are a completely different product offered by organisations that compete with Bacs. During the development of CASS the programme engaged with both Visa and MasterCard. Understandably as they also compete with each other a common solution was not a realistic option. Despite these difficulties solutions were devised to ensure card transactions are correctly routed during a customer switch.

Bacs has initiated work to examine a better way of handling CPAs to alleviate isolated customer concerns when such transactions occur in the period following the switch. Moreover Bacs is working with the UK Cards Association, which is facilitating discussions with MasterCard and Visa. This work will utilise existing functionality that allows the old bank to request payment from the new bank where they have accepted a merchant request made using the old (and now closed) card that was linked to the old account.

(a) how effective the remedy is likely to be in remedying, mitigating or preventing the AEC it is intended to address in each of Great Britain (GB) and Northern Ireland (NI);

The CPA is an agreement between cardholder and merchant and as such is not visible to either the issuing bank or Bacs, and is often confused with a Direct Debit. In some cases this confusion may create uncertainty at the time of an account switch. However, in practice there are a very small number of CPA transactions and processes are in place to enable a merchant to update their records when cards are replaced, including when an account is switched. None of our research or performance monitoring of the Service has identified customer concerns with the switching of CPAs and we do not believe this issue has a material effect on customer switching behaviour. However, Bacs continues to work with participants and the card schemes to ensure effective processes are in place to minimise any adverse impact on CASS. Consequently we do not believe that this proposed remedy will be effective in addressing any AEC.

(b) whether there are any alternative remedies that would be as effective as the proposed remedy, or more so, in addressing the AEC and that would be less costly and/or intrusive;

Bacs continues to work with participants and engage with the card schemes to ensure that any potential issues with CPAs do not have an adverse effect on the Service or customers' perceptions of it.

(c) whether the design of the remedy should be adapted to take account of the requirements of different customer groups, for example consumers and SMEs or particular subgroups within these categories;

Bacs does not believe this is necessary.

(d) whether the remedy or a variant would overlap or conflict with any other regulatory intervention planned or in contemplation, including EU directives (for example, the first or second Payment Services Directive (PSD), the Payment Accounts Directive (PAD) or Consumer Credit Directive);

As noted above the CPA is a card scheme product and so subject to their regulatory environment.

(e) whether the remedy may give rise to unintended consequences and, if so, what these might be and how they could be prevented or mitigated;

As noted above the remedy as proposed cuts across current product ownership boundaries.

(f) whether the CMA should seek to implement the remedy itself via an order or by seeking undertakings, or whether it should make a recommendation that another body, such as the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), Payment Systems Regulator (PSR), or HM Treasury (HMT), implement the remedy;

As noted above the remedy as proposed cuts across current product ownership boundaries.

(g) the appropriate duration of the remedy and whether a 'sunset' clause should be included as part of the remedy design; and

The proposed Bacs solution will be embedded in operational procedures.

(h) any RCBs to which we should have regard as being affected by the proposed remedy

We are not aware of any.

13.2 PARAGRAPH 114 RESPONSE

(a) Is the remedy practicable? Can Bacs reliably identify and distinguish CPAs, for example?

The CPA products are owned by the card schemes, MasterCard and Visa. As proposed the remedy is not feasible since Bacs does not have relationships with the cards community, including merchants and merchant acquirers, nor does it have connections to the card schemes' infrastructures. Through the Direct Debit product Bacs is effectively a competitor to the card schemes, who themselves are direct competitors with each other. Thus there is little incentive for the schemes to collaborate with Bacs to change their international products to meet what might be perceived as a minor local requirement.

Notwithstanding the above we continue to work with the card schemes to ensure card processing issues as far as possible have no impact on customers who have switched and consequently does not impact on the reputation of the Service. Again Bacs' ability to influence the outcome is limited because we have no direct links to merchants, many of whom may be based outside of the UK, and we have no access to information on their usage of card scheme updater services.

As noted above Bacs does not believe that this remedy is addressing a significant market issue. However we would welcome the opportunity to discuss this provisional remedy in greater detail with the CMA.

(b) If, for technical reasons, Bacs could not guarantee that all CPAs would be transferred, would a target of less than 100% or a 100% guarantee limited to payments in excess of a particular monetary value be adequate to address this risk?

Bacs is not able to comment on the processing of CPAs and the use of the associated updater services offered by the card schemes.

(c) Is the remedy of more relevance to consumers than SMEs? Do SMEs use CPAs as a payment (as opposed to a billing) process?

Our understanding is that the use of CPAs is restricted to a small number of merchant types. On this basis we are not sure that it is relevant to SMEs.

(d) What technical difficulties, if any, would be involved in its implementation and how could these be overcome? Would, for example, providing the acquiring bank with the customer's transaction history make it easier for them to identify CPAs? How long would it take to implement the remedy?

The remedy as stated is not deliverable since Bacs has no access to card scheme infrastructure, processes and systems.

(e) To what extent would the purpose of the remedy be achieved if customers with CPAs were advised or warned not to close their old accounts until the CPAs had been set up on their new debit cards?

Such an approach would fundamentally undermine the purpose of CASS for no perceived benefit. There are concerns that such a requirement could erode confidence in CASS, create uncertainty over the switch date and switch completion requiring customers to hold additional monies in their old account for an uncertain amount of time.

A further possibility might be for the card schemes to consider adding a new chargeback right, allowing banks to decline the payment, but with an indicator identifying the account as switched. This would encourage merchant use of the card schemes updater services.

Our overall view is that this proposed remedy does not address an issue of any significance to competition in the current account markets. Analysis during the programme suggested that at most around 0.2% of switched customers' transactions may be affected, and that the steps in place and planned to address issues with CPAs will ensure no material impact on the Service.

14 REMEDY 11

Require all banks to support the partial switching service and to provide an equivalent guarantee to that offered as part of CASS.

14.1 PARAGRAPH 17 RESPONSE

Bacs operates a partial switching service using the same infrastructure as CASS which allows customers to move payment instructions from one account provider to another without closing the old account. This service was developed to address the needs of corporate customers not eligible to use CASS, and a small but significant customer segment who wish to retain control of the switching process. All CASS members are required to support customers who wish to move payments away to a new provider, although not all support customers switching into them in this way. The Payment Account Directive that will become law in 2016 has significant implications for the partial service that we are currently evaluating. As part of this work we are committed to reflect on the practicalities of introducing some form of guarantee for the partial service, however cannot commit to the development of any form of guarantee for the partial switching service at present. We are happy to work with the CMA to consider the issues raised by this remedy.

(a) how effective the remedy is likely to be in remedying, mitigating or preventing the AEC it is intended to address in each of Great Britain (GB) and Northern Ireland (NI);

The partial switch was an integral part of the account switching programme that created CASS. It was seen as an essential service to support those customers who would not be eligible for the full service, and for a segment of customers who would not wish to close their old account. Because the old account is not closed in the partial switch it is not possible to offer the redirection service. Given that the full service was designed to address the main customer concerns over the switching process the partial service is not believed to offer any significant advantages to those eligible for the full Service. In practice the full Service has proved more attractive than anticipated, with circa 90% of switches using it against the 75% forecast before launch.

Bacs does not believe that this remedy addresses a material AEC but we would welcome the opportunity to discuss the proposed remedy further with the CMA.

(b) whether there are any alternative remedies that would be as effective as the proposed remedy, or more so, in addressing the AEC and that would be less costly and/or intrusive;

There are opportunities already under consideration for developing the existing partial service (e.g. creating a new branded service) for business customers, offering flexibility and control over the pace of the switch alongside what is currently included. Also as a consequence of the impending implementation of PAD Bacs is reviewing the partial service. PAD sets standards for switching services but allows for designation of alternative services. Whilst we are confident that this can be achieved for CASS it is not certain that designation could be achieved for a partial service. We would be happy to discuss the objectives of this provisional remedy in further detail with the CMA as part of that review.

(c) whether the design of the remedy should be adapted to take account of the requirements of different customer groups, for example consumers and SMEs or particular subgroups within these categories;

As noted above the partial service was designed with a number of customer segments in mind. Their requirements should form the basis of any further analysis to support consideration of this remedy.

(d) whether the remedy or a variant would overlap or conflict with any other regulatory intervention planned or in contemplation, including EU directives (for example, the first or second Payment Services Directive (PSD), the Payment Accounts Directive (PAD) or Consumer Credit Directive);

We believe the provisional remedy does not sit comfortably alongside the requirements contained in the Payment Account Directive, and in this connection Bacs would welcome the opportunity to discuss the provisional remedy with the CMA.

(e) whether the remedy may give rise to unintended consequences and, if so, what these might be and how they could be prevented or mitigated;

Bacs believes there are risks associated in terms of potential compliance with the PAD and diversion of resource with the provisional remedy as drafted and would welcome the opportunity to discuss the proposals in further detail with the CMA.

(f) whether the CMA should seek to implement the remedy itself via an order or by seeking undertakings, or whether it should make a recommendation that another body, such as the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), Payment Systems Regulator (PSR), or HM Treasury (HMT), implement the remedy;

Bacs believes the best outcome will be for us to work with the CMA to establish what AEC might be addressed through an updated partial switch service and how that might be achieved. We would be happy to work with the CMA to develop your thinking on this remedy.

(g) the appropriate duration of the remedy and whether a 'sunset' clause should be included as part of the remedy design; and

Whatever is finally decided should be everlasting.

(h) any RCBs to which we should have regard as being affected by the proposed remedy

As previously stated Bacs believes the best outcome will be for the CMA to work with Bacs and the industry to agree a way forward in respect of this proposed remedy.

14.2 PARAGRAPH 123 RESPONSE

(a) How effective is this remedy likely to be in encouraging additional customers to switch given that the inducements that providers are likely to offer to those closing their existing current account will be greater than those offered to those not doing so?

Bacs does not believe that this remedy addresses a significant need in the market. The full switching service was designed to address the primary factors that customers report as inhibitors to moving and we believe that it does so. The partial service only ever appeared attractive to a small subset of customers.

(b) Would the attractiveness of partial switching differ between customer segments? Would overdraft users find it particularly attractive, for example, or would the bank at which they had retained their account be likely to vary the overdraft facilities that it was willing to provide?

As noted above our research suggests that the appeal of the partial service is limited to those who cannot use the full service, and those who wish to retain control over the process. We do not believe it offers any additional benefits to overdraft users who would be more likely to benefit from the Guarantee and redirection service within the full service.

(c) Is the list of features that should be included in the proposed partial switch guarantee comprehensive? If not, what should be added?

A guarantee for a partial switch will have significant limitations, particularly around timelines and redirections. The switch cannot be completed in seven days, as the partial service requires additional communication with the customer, supplying lists of DDs and SOs from the old bank and selecting those that are to be transferred. As a service it requires far more direct input from the customer.

(d) What would the consequences be, commercially and in regulatory terms, if customers were to switch all their payments to a new account, but leave the old one open?

Should a customer not close their old account they create additional unwarranted costs for the old bank whilst running the risk of leaving funds in the account that are then forgotten about.

(e) Would the remedy lead to more multi-banking with customers switching usage according to the incentives offered by banks with which they held accounts? What would the consequences of this be?

Customers can use the partial switch service to move some or all payment instructions to gain benefits elsewhere at present. However in doing so they forgo the advantages of the full service, most notably the Guarantee and payment redirection services. Such a switch also requires significant additional effort on their part. Consequently it is not obvious that the remedy would create additional multi banking. We do believe that the area of multiple account holding is an area that would benefit from further study.

(f) Is the seven-day switching period under the proposed partial switch guarantee appropriate, including for the larger SMEs? If not, what would be an appropriate switching period?

It is not appropriate, given the requirement for customers to select which payments have to transfer. Banking facilities for SMEs are more complex with additional business services, not covered under the current CASS service. Timescales would have to be agreed on a case by case basis, considering the complexity of the switch. A guarantee would have to break down component elements of the switch, similar to the remedies under the Northern Ireland SME Undertakings.

(g) Are there any regulatory, technical or other obstacles to implementing this remedy, for example as regards any overlaps with PAD? How could these be overcome?

It is our understanding that once the Payment Account Directive is transcribed into UK law, Bacs will only be able to offer a PAD compliant switch operated in accordance with the regulations; or, a designated alternative that must meet the criteria stipulated in the regulations. The provisional remedy described above does not seem to be aligned with the new PAD regulations.

(h) Would it be necessary to include any ancillary measures with this remedy? For example, if providers offered different, and lesser, rewards to customers who only execute a partial switch

would it be necessary to require that this is made prominent in advertising and marketing material?

Bacs would not comment on this issue as it impacts primarily on the competitive offerings of market participants.

15 REMEDY 12

Changes to CASS governance.

15.1 PARAGRAPH 17 RESPONSE

(a) how effective the remedy is likely to be in remedying, mitigating or preventing the AEC it is intended to address in each of Great Britain (GB) and Northern Ireland (NI);

The governance and management structures of CASS were designed around the principles of good corporate governance. The overarching objective is to achieve consensus on all matters wherever possible avoiding the necessity for a vote. This encourages robust debate where all participants have an equal say. In the two years since launch there has only been one vote and that related to a call for funding for additional communications activity that had not been in the service budget for 2015. The voting was in favour of raising the required funding, and we note that those voting for the additional funding included a number of participants who have been net losers of accounts. Consequently we do not see that this remedy is necessary. However, we are happy to discuss further the governance mechanisms within the Service with the CMA to understand what outcome you seek.

CASS operates across the UK in a standard way, there are no geographic variances.

(b) whether there are any alternative remedies that would be as effective as the proposed remedy, or more so, in addressing the AEC and that would be less costly and/or intrusive;

Bacs does not believe that the CMA has identified a significant AEC that would be addressed effectively by changes to the CASS governance arrangements.

(c) whether the design of the remedy should be adapted to take account of the requirements of different customer groups, for example consumers and SMEs or particular subgroups within these categories;

This could be considered, although from the outset the belief was that by providing simple, open and transparent eligibility criteria it would encourage new entrants from market sectors that had not previously engaged with Bacs. This has proved to be true and as a result there are now 40 brands (31 different legal entities entitled to a vote) with 3 more joining this year and possibly a further 9 in 2016 meaning the number of smaller 'challenger' organisations will far outnumber the incumbent banks.

(d) whether the remedy or a variant would overlap or conflict with any other regulatory intervention planned or in contemplation, including EU directives (for example, the first or second Payment Services Directive (PSD), the Payment Accounts Directive (PAD) or Consumer Credit Directive);

Bacs does not believe this is an issue.

(e) whether the remedy may give rise to unintended consequences and, if so, what these might be and how they could be prevented or mitigated;

Bacs does not believe this is a significant issue providing the CASS Management Committee does not have powers that could cut across the Bacs Company Board placing the Payment Scheme at risk.

(f) whether the CMA should seek to implement the remedy itself via an order or by seeking undertakings, or whether it should make a recommendation that another body, such as the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), Payment Systems Regulator (PSR), or HM Treasury (HMT), implement the remedy;

Bacs does not believe this is an issue.

(g) the appropriate duration of the remedy and whether a ‘sunset’ clause should be included as part of the remedy design; and

Bacs does not believe there is a necessity for any additional ongoing action beyond an annual review to ensure the governance structure remains fit for purpose as the service evolves.

(h) any RCBs to which we should have regard as being affected by the proposed remedy

Bacs does not believe there is anything that would need to be taken into account.

15.2 PARAGRAPH 127 RESPONSE

(a) Does the current membership and voting structure of the CASS Management Committee blunt its incentives to promote switching between current account providers?

The governance model for CASS provides every participant with an equal voice in decision making. The funding to implement a substantial, multi-year communications campaign to drive awareness and confidence in the service has been agreed within that governance model. The service has been developed to service the interests of established players, challenger banks, and new potential competitors. The attraction of the service is illustrated by the continued flow of new entrants, a trend we actively encourage and anticipate continuing in the next few years.

(b) In what ways, if any, should the membership of the Management Committee be changed? Is its size or composition appropriate?

As the number of participants continues to rise it may be appropriate to consider an alternative governance structure involving the overall composition and make-up of the CASS Management Committee to ensure the continued effectiveness of its governance and management.

(c) Does the 75% voting majority required on the Management Committee permit the banks likely to be net losers from switching to exert material influence over CASS policies, for example the amount to be spent on promoting the service? Does it permit a small number of members to veto desirable proposals?

Currently, this is theoretically possible. Bacs believes that there is a complex market dynamic which is not as simple as presented in the proposed remedy. The different nature and scale of the participants inevitably has an influence on their decision making. It is also possible for a participant to change from a net loser to a net gainer based on the timing of a new product and advertising campaign, and some net loser organisations have brands that are net gainers. Finally with the addition of new entrant participants continuing at a pace the number of net losers will inevitably decrease in relation to the total number of participants.

(d) Would it be desirable to introduce an element of independent oversight of CASS? If so, how could this be done?

CASS is subject to corporate oversight through the Bacs Board, which comprises a different overall constituency and has an independent Chair and an independent director. This means that any activity by CASS that might result in reputational or financial impact to Bacs would be subject to review by the Bacs Board.

Bacs would be happy to discuss this proposed remedy further with the CMA to understand how best to address their perceived AIC.

16 REMEDY 13

Data sharing with credit reference agencies.

Bacs has not provided a response to this remedy as it is beyond our scope of activity.

17 REMEDY 14

Commercial open data and data sharing proposals.

Bacs has not provided a response to this remedy as it is beyond our scope of activity.

18 REMEDY 15

Require banks to provide a loans price and eligibility indicator.

Bacs has not provided a response to this remedy as it is beyond our scope of activity.

19 REMEDIES NOT PROGRESSED

We note that there are a number of remedies that you are minded not to consider further. We also note that you have not defined any overall measure of what would constitute an effective market for current accounts.

On the subject of free-if-in-credit banking our research has shown that price is one of the key determinants of switching behaviour in other markets so it might be reasonable to assume it would have a significant impact in this market. However our modelling of market dynamics suggests that at the likely levels of charge associated with the costs of payments the level of charges is likely to create only a weak effect relative to the perceived costs of switching and benefits currently on offer to encourage switching.

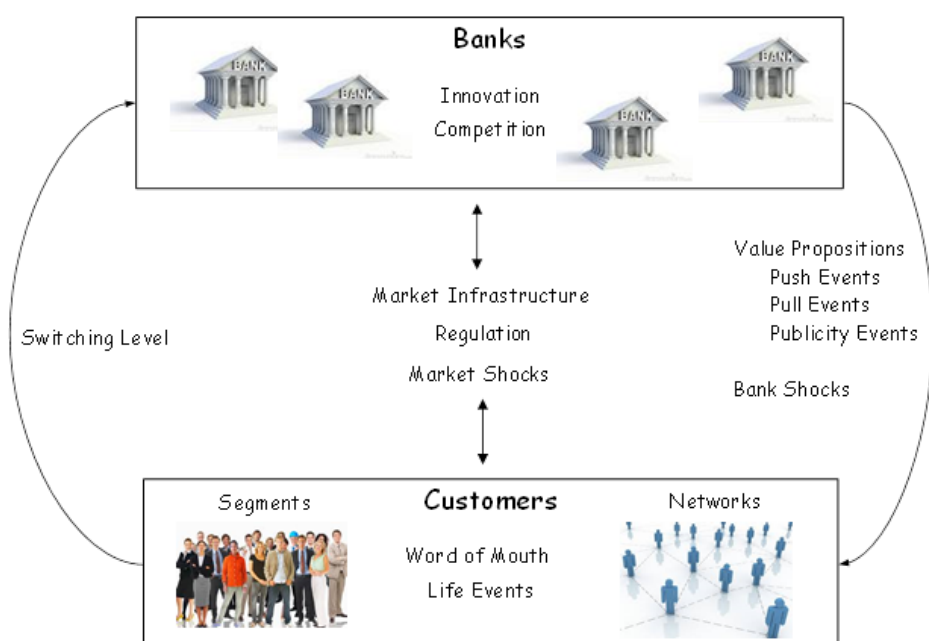
Although you have proposed a measure of service quality for banks we believe that it would be helpful to define in more detail what a competitive environment would look like. We are continuing our work on market dynamics so that we are able to target the industry's central investment in communications more effectively, and to ensure market participants are communicating the benefits of switching appropriately. To that end we are investigating a number of measures that might be an alternative to the awareness and confidence target we are currently committed to, such as consideration of switching. We would be happy to work with the CMA to develop this thinking further.

20 APPENDICES

20.1 APPENDIX A MARKET DYNAMICS MODEL

Bacs is conducting an extensive research programme across industry and academic publications to understand the factors influencing the current account market in the UK. The aim is to position CASS more effectively and identify any potential future development within Bacs' remits, as well as possible measures for market competitiveness. The initial findings of the research are largely in-line with the CMA investigation findings and Bacs is currently assessing the potential synergy in order to cooperate with CMA to mitigate/ minimise the AECs identified.

Bacs also commissioned the development of an Agent Based Model (ABM) to simulate current account market dynamics, as illustrated below:



Key initial findings from the ABM, using indicative data, corroborate much of the CMA findings. Two key findings in particular were:

1. Relatively low and flat-lining levels of switching despite initial increases after the launch of CASS
2. The incumbent advantage, particularly for large and leader banks; with the exception of an innovator with significant scale and brand presence, new entrants found it difficult to grow market share

The causal explanation for 1 in the ABM was limits to growth pattern when the low inertia customers had switched. 2 is explained causally by the ability for large banks reach a greater customer base with publicity; the incumbent advantage.

The next step is to finesse the ABM incorporating the findings from Bacs' review of research and explore the possibility of utilising real industry data, with the support from CMA.

20.2 APPENDIX B CASS BRAND GUIDELINES

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INTRODUCTION

THE CURRENT ACCOUNT SWITCH SERVICE

The Current Account Switch Service is the hassle-free way for customers, small businesses, charities and trusts to switch current accounts from one bank or building society to another.

Backed by the Current Account Switch Guarantee, the service aims to increase competition on the high street and support new banks in the current account marketplace.

You can see the full list of banks and building societies involved at simplerworld.co.uk



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ABOUT THESE GUIDELINES

Banks and building societies that offer the Current Account Switch Service have agreed to make the Current Account Switch assets clear on products, services, communications and collateral that are related to current accounts.

Current Account Switch Service branding will help raise awareness of the service and explain its benefits.

If you have any questions about these guidelines please contact Bacs at cass@bacs.co.uk.

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ASSETS

To give customers full confidence in the Current Account Switch Service, it's important to use relevant assets in all stages of the customer journey.

All assets can be downloaded from www.bacs.co.uk/cassmarketingassets and are available in PDF and InDesign formats.

The marketing assets are in the password protected area of the Bacs website and are only accessible to registered users. If you haven't applied for your password **do so now**.

AN OVERVIEW OF THE ASSETS

Guarantee Trustmark

This shows that a bank or building society offers the Current Account Switch Service.

Current Account Switch Guarantee

This is the full Guarantee that applies to all banks and building societies offering the service.

Account Switching Guide

A standardised document that you can personalise outlining your specific switching process.

Full FAQs

Answers to the common queries about the Current Account Switch Service.

Current Account Switch Agreement

A document that must be made available to all customers, and completed in full before a switch can take place.

Current Account Closure Instruction

A document that instructs a customer's existing provider to close their account. It must be completed by the customer before the switch.

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WHEN AND WHERE TO USE THE ASSETS

Relevant assets must be used whenever you promote any current account product, unless it is for under 16s when it is optional.

Current account products and related services are any which fall within the scope of the service. This means all current accounts, including basic bank accounts (subject to the above).

If a customer could use the service to switch to the product you are promoting, or benefit from the related service by switching, then the Current Account Switch Service must be referenced.

We understand that it is not practical for all formats to carry certain assets. E.g. small mobile banners, PPC and customer receipts. In these instances we allow for some

flexibility as long as the switch service and related messages are communicated. You don't have to use the assets if you are only communicating with existing customers, e.g. in statements and letters.

When translating these materials for local language communications, Participants should use their judgement about the most appropriate typography and design choices.

	ACQUISITION	INFORMATION	APPLICATION	
	Any mention of current accounts intending to acquire new customers (e.g. switching incentives, rates promotions, etc.)	Promoting benefits related to current account products (e.g. online banking, customer service, emergency cash, additional product benefits, etc.)	Providing detailed information about the current account product (e.g. current account product pages on websites, brochures, etc.)	When a customer applies for a current account or initiates a switch
Guarantee Trustmark	✓	✓	✓	✓
The Current Account Switch Guarantee			✓	✓
Account Switching Guide			✓	✓
Full FAQs			✓	✓
Current Account Switch Agreement				✓
Current Account Closure Instruction				✓

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TALKING ABOUT THE SERVICE

When referencing the Current Account Switch Service, use the full name and initial capitalise each word, so it appears like this:

Current Account Switch Service

Whenever the service is referred to verbally, such as in a radio advert or a conversation with a customer, it must be referenced as 'the Current Account Switch Service'.

KEY BENEFITS

You can use your own tone of voice to explain the key benefits, as long as the messaging stays the same.

Areas this should appear

The key benefits should be used at the discretion of Participants. Examples of likely uses include; customer information, online product pages, press releases, and marketing communications campaigns.

KEY BENEFITS

Introduction

The Current Account Switch Service makes switching from one bank or building society to another simple and hassle-free whether you're a consumer, small charity or small business. You'll find the main benefits of the service below:

Switch on your terms

With the Current Account Switch Service you can choose a switch date to suit you. Just make sure you allow a minimum of seven working days.

Simple and hassle-free

The **new account provider** transfers any existing balance and all existing payment arrangements for you – including those going out (for example Direct Debits and standing orders), those coming in (for example, your salary) and payees you already have set up.

Wide ranging spread of UK banks and building societies are on board

This means over 99% of UK current accounts are covered by the Current Account Switch Guarantee.

The switching process is the same everywhere

Every bank and building society offering the service follows exactly the same switch process

Payments are automatically redirected

Any payments made to or requested from your old account will be redirected to your new account for three years. We will also contact the sender and give them your new account details. That means there's no need to worry about missing payments.

Backed by a Guarantee

In the unlikely event that something goes wrong with your switch, the **new provider** will refund any interest or charges incurred on your old or new account as a result.

A single point of contact

The whole process will be handled by the bank or building society you are switching to. If you have any questions or concerns, just ask your new provider.

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THE GUARANTEE TRUSTMARK

DESIGN

The most important asset is the Guarantee Trustmark. It shows that a bank or building society is committed to the Current Account Switch Guarantee.

The Current Account Switch Guarantee Trustmark must be used in all channels and on all communications that relate to a current account product that offers the service. This means all current accounts for over 16s, including basic bank accounts.

The Guarantee Trustmark can only be used to show that the service is available. It should not be used as a selling point.

THE GUARANTEE TRUSTMARK DESIGNS

You can choose between these two Trustmark designs.

Option 1 – Black with a solid white background

Option 2 – White with a solid black background



Switch_Guarantee_Logo_Pos.eps



Switch_Guarantee_Logo_Neg.eps

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THE GUARANTEE TRUSTMARK

CLEAR SPACE AND MINIMUM SIZE



CLEAR SPACE

The Guarantee Trustmark must have an exclusion zone equal to the height of the 'Switch Guarantee' text (from the cap height to the baseline). It must go all the way around the Trustmark.

MINIMUM SIZE

The minimum size for the Trustmark is 25mm in width (to the furthest edge of the arrowhead).

The minimum size for the Trustmark, when it is used as a sticker in the windows of Participant's High Street locations is 250mm wide.



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THE GUARANTEE TRUSTMARK

REQUIREMENTS BY COMMUNICATION CHANNEL

BEST PRACTICE IN DIGITAL, AUDIO AND SMALL FORMATS

Where it's not possible to show the Trustmark clearly, it must appear on the immediate landing page after the "first click" that a customer makes to engage with your messaging.

For example:

- A banner advert that sends a customer to a landing page or campaign microsite
- A PPC message that appears in search marketing that sends a customer to a landing page or campaign microsite

When it's not possible to show the Trustmark visually, in radio adverts for example, the service must be mentioned by name as the Current Account Switch Service.

The Trustmark must appear in the following communication channels for any current account acquisition activity:

- **Paid media by Participants:** E.g. TV, Print, Radio, Digital (desktop and mobile), Digital landing page, Outdoor
- **Activity on Participant's owned channels:** E.g. Social Media, Website (mobile and desktop), Telephone (referenced during customer service/ applications), In-branch collateral, High-street branch window stickers and customer-facing locations
- **Activity where Participants earn publicity in media:** E.g. PR activity

The Trustmark should never be animated.

Trademark rules apply to the Guarantee Trustmark

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THE GUARANTEE TRUSTMARK

PRESS

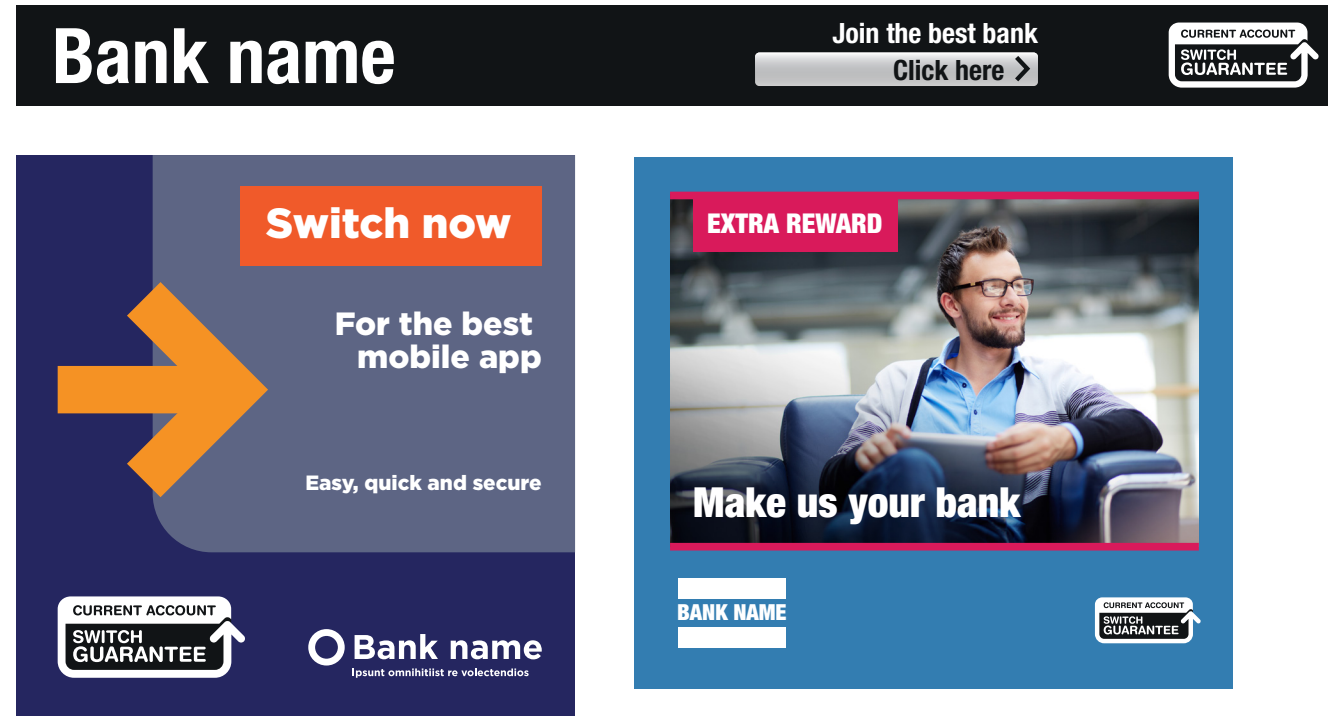


- CASS Trustmark must be used on ads about applicable current accounts or relevant products and services.
- Trustmark must be used in accordance with guidelines on colouring, sizing, placement and exclusion zones.
- Trustmark must be placed in prominent/ relevant position e.g. next to call to action or in line with brand logo.

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THE GUARANTEE TRUSTMARK

DIGITAL

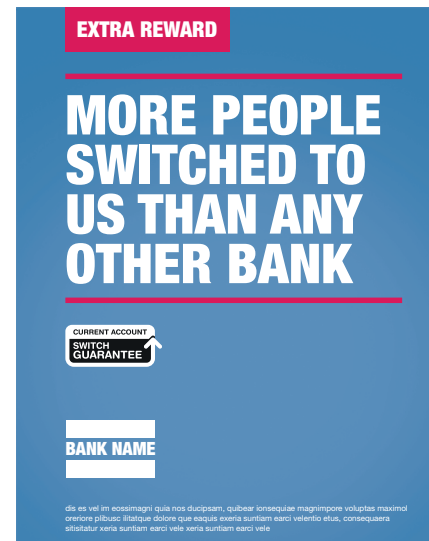


- CASS Trustmark must be included on ads about eligible current accounts or relevant products and services.
- Trustmark must be placed in prominent/relevant position (e.g. on first frame or next to call to action).
- Trustmark must be used in accordance with guidelines on colouring, sizing, placement and exclusion zones.

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THE GUARANTEE TRUSTMARK

OUTDOOR



- CASS Trustmark must be included on ads about eligible current accounts or related products and services.
- Trustmark must be placed in prominent/relevant position (e.g. next to call to action or brand logo).
- Trustmark must be used in accordance with guidelines on colouring, sizing, placement and exclusion zones.

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THE GUARANTEE TRUSTMARK

TELEVISION



- CASS Trustmark must be included on ads about eligible current accounts or related products and services.
- Trustmark must be used in accordance with guidelines on colouring, sizing, placement and exclusion zones.
- Trustmark must be placed in prominent/relevant position (e.g. on end frame or during call to action).
- Trustmark must be shown for a significant period of time during the ad.

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THE GUARANTEE TRUSTMARK

WEBSITE

> Current account

> Switch to us

> First Directory

> Ways to Bank

More information

PDF Bank Name

Account Terms and Conditions

PDF Give me the facts

PDF Interest Rates & Charges

Related Links


• Our Account

• Our account uncovered

• Awards

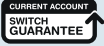
• Tools and guides

When you first join us
That's worth a look



The Current Account Switch Guarantee

Switching current accounts isn't something you do everyday, but our dedicated team are here to help you switch your banking using the Current Account Switch Service.



Ready to switch?


Click here >

The Current Account Switch Guarantee

The Current Account Switch Service lets you switch your current account from one participating bank or Building Society to another, free of charge and is backed by the Current Account Switch Guarantee.


Please note: As part of the Current Account Switch Service your old account will close on the day that you choose to switch.

Current Account Switch Guarantee



We have designed the Current Account Switch Service to let you switch your current account from one bank or building society to another in a simple, reliable and hassle-free way. It will only take seven working days. As your new current-account provider we offer the following guarantees.

- The service is free to use and you can choose and agree your switch date with us.
- We will take care of moving all your payments going out (for example, your Direct Debits and standing orders) and those coming in (for example, your salary).
- If you have money in your old account, we will transfer it to your new account on your switch date.
- For 36 months, we will arrange for payments accidentally made to your old account to be automatically redirected to your new account. We will also contact the sender and give them your new account details.
- If there are any issues in making the switch, we will contact you before your switch date.
- If anything goes wrong with the switch, as soon as we are told, we will refund any interest (paid or lost) and charges made on either your old or new current accounts as a result of this failure.



Switch in just 7 working days

When we help you switch your account, we do everything we can to make the transaction as smooth as possible, here's what we'll do you and when:

Day 1

Days 2-6

Days 7

- CASS Trustmark must be prominently displayed alongside eligible current account information.
- Further details on switching (including the full Guarantee and FAQs) must either be provided alongside or clearly signposted to.
- Where current account advertising is a feature on the homepage, the Trustmark must also be clearly displayed.

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THE GUARANTEE TRUSTMARK

DIRECT MAIL

BANK NAME

EXTRA REWARD

UP TO £200

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Mrs J Smith
00 Name of Street
Town Name
County
AB12 34C

THE BANK MOST SWITCHED TO...

AIB/C Account

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The Current Account Switch Guarantee

Switching current accounts isn't something you do everyday, but our dedicated team are here to help you switch your banking using the Current Account Switch Service.

The Current Account Switch Guarantee

The Current Account Switch Service lets you switch your current account from one participating bank or Building Society to another, free of charge and is backed by the Current Account Switch Guarantee.

Please note: As part of the Current Account Switch Service your old account will close on the day that you choose to switch.

Switch in just 7 working days

When we help you switch your account, we do everything we can to make the transaction as smooth as possible, here's what we'll do you and when.

Kathrine

Name of person
Title of person

CURRENT ACCOUNT SWITCH GUARANTEE

APPLY TODAY

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000 0000 0000

bankname.com

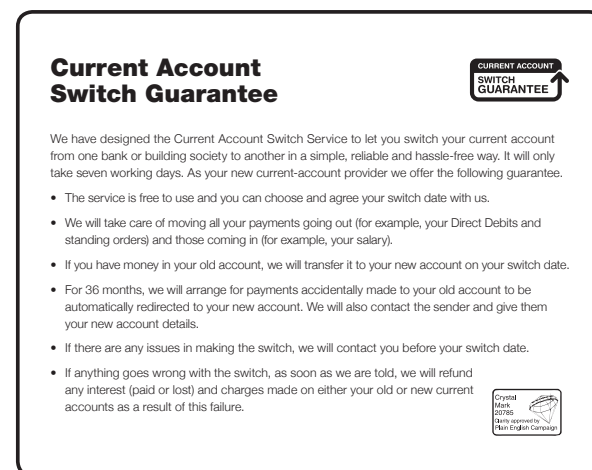
Your branch

- CASS Trustmark must be included on acquisition communications about eligible current accounts or related products and services.
- Trustmark must be placed in prominent/relevant position (e.g. next to call to action or brand logo).

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THE CURRENT ACCOUNT SWITCH GUARANTEE

This is an industry-wide Guarantee designed to give customers confidence and create a standard process.



TALKING ABOUT THE CURRENT ACCOUNT SWITCH GUARANTEE

When referencing the Current Account Switch Guarantee, use the full name and capitalise each word, so it appears like this:

Current Account Switch Guarantee

Whenever the Guarantee is referred to verbally, in a radio advert or a conversation with a customer for example, it must be referenced as 'the Current Account Switch Guarantee'.

The Guarantee wording is part of the terms of service. For consistency, it must always be described like this:

The Current Account Switch Guarantee ensures your current account will switch on a day of your choice, your payments will be automatically transferred and redirected to your new account, and in the unlikely event anything goes wrong with your switch, we will refund any interest and charges (incurred on your old or new current accounts) as a result of this failure as soon as it is brought to our attention.

THE APPEARANCE OF THE GUARANTEE

Please use the versions of the Guarantee supplied in this document. They are available to download as a PDF and EPS at www.bacs.co.uk/cassmarketingassets

Follow these guidelines when this is not possible, e.g. in responsive web design formats and for people with visual impairments:

- The Guarantee wording must be shown in full and not adapted in any way.
- The Guarantee wording must always accompany the Guarantee Trustmark.
- The Trustmark must appear above the Guarantee wording.
- The Plain English Crystal Mark must be displayed below the Guarantee wording.
- The minimum size for the Plain English Crystal Mark is 20mm x 13mm
- The Plain English Crystal Mark logo must not be altered, apart from changing its size. A black and white version of the Crystal Mark can be used.
- No other branding or icons should appear within the Guarantee.

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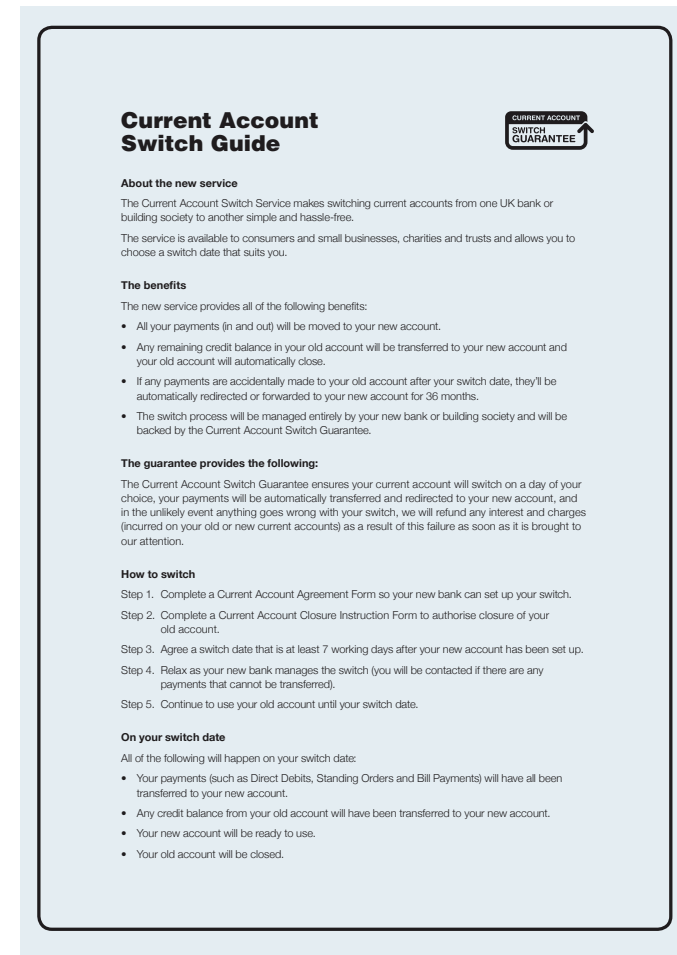
CREATING YOUR OWN GUIDE

CREATING YOUR OWN CURRENT ACCOUNT SWITCH SERVICE GUIDE

- Text should always be left aligned.
- The Guarantee must appear on a solid background.
- The text must comply with legal minimum font sizes and suitable versions should be made available for partially sighted and blind people.
- Responsive in all platforms.
- Suitable versions for partially sighted people to be made available by Participants.

Areas this should appear:

- In-branch collateral
- Website (mobile and desktop)
- Referenced during customer service conversations, both in-branch and over the phone.



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CUSTOMER FAQs

- The wording of the FAQs must remain consistent, but you may refer to yourself as “we” rather than using “your new bank or building society”. You cannot alter the wording in any other way.
- The FAQs can be formatted in your own brand colours, design and fonts.
- If the Customer FAQs appear outside of the Current Account Switch Service Guide they must include the Guarantee Trustmark.

Areas this should appear:

- In-branch collateral, FAQs 11 and 12 as part of switching guide
- Website (mobile and desktop)

Frequently Asked Questions



1. What is the Current Account Switch Service?

It's a free service that lets you switch your current account from one participating bank or building society to another. It has been designed to be simple, reliable and hassle-free and is backed by the Current Account Switch Guarantee.

2. Can I switch my account on a date that suits me?

Yes, you can choose and agree a date with your new bank or building society and the process will start 6 working days before that date. (Working days are Mon - Fri excluding bank and public holidays.)

3. What happens to payments that people send to my old account, i.e. salary, pension or benefit payments?

The Current Account Switch Service will redirect payments to your new account for up to thirty six months from your switch date. Each time an electronic payment is redirected an automatic message is sent back to the originator advising them of the new account details so they can update their records. Some organizations may contact you directly to confirm your details have changed.

4. What happens if there is a mistake or unnecessary delay in the current account switching process?

The Current Account Switch Service is backed by the Current Account Switch Guarantee. This guarantees that any charges or interest incurred on your old or new account, as a result of a failure in the switching process will be refunded when you bring this to your new bank or building society's attention.

5. Will switching my current account affect my credit rating?

No, providing you repay any outstanding overdraft(s) on your previous account(s) as required by your old bank or building society. If there are any problems with payments (as part of the switching process) your new bank or building society will correct them and ensure your credit rating is not affected.

6. Can I switch my current account if I am overdrawn?

Yes, and your new bank or building society may be able to provide facilities to help you pay off any overdraft, subject to their normal lending criteria. If this isn't the case you must make separate arrangements to repay your old bank or building society what you owe.

7. What if I change my mind?

You can cancel your switch up to seven working days before your switch date. After that only certain elements can be cancelled. Your new bank or building society will guide you through this process if you choose to do this.

8. When will the money in my old account be transferred to my new account?

You will be able to access the funds in your old account up to and until your switch date when they will be transferred to your new account.



Frequently Asked Questions continued

Banks and Building Societies offer the same Current Account Switch Service?

Street banks and building societies and Internet and Telephone banks that display the Current Account Switch Guarantee Trustmark will offer the Current Account Switch Service. Find a list of participating organisations at www.simplerworld.co.uk.

What type of accounts can I switch using the Current Account Switch Service?

The Current Account Switch Service is for current accounts only. This includes personal, small business and charity current accounts.

Business accounts are those with an annual turnover that does not exceed £6.5 million and employ fewer than 50 people. Small charities have an annual income of less than £6.5 million and trusts with a net asset value of less than £6.5 million.

If you are still unsure if you qualify then please ask your new bank or building society to confirm.

If you would like to switch other account types, such as a savings account, you will need to ask your new bank or building society if they are able to help you do this.

What happens to any debit card transactions that I have asked my old bank to stop?

The Current Account Switch Service should not interfere with this process and any debit card actions that you have asked your bank to stop should remain so after your switch.

Can I prevent my new account details being given to someone who sends one-off payments to my old account?

You may be able to transfer your payments to your new bank without redirecting payments from your old account, and you should discuss this requirement with your new bank.

What should I take with me to my new bank or building society?

Requirements for opening an account will vary between individual banks and building societies, so please ask them to confirm what they will need from you. However, in order for your switch to be successful, it is advisable that as a minimum you should take a recent statement and your debit card so your new bank or building society can identify you and link it to your old account.

Do the Current Account Switch Service cover joint accounts?

The Current Account Switch Service does cover joint accounts, but both named parties on the account will need to complete the relevant forms. Please note it is not possible to use the service to switch a joint account to a sole account.

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CURRENT ACCOUNT SWITCH AGREEMENT

The Current Account Switch Agreement must be available to all customers and completed before the switch begins.

The agreement must include the Guarantee Trustmark.

You can see the full timing details in the Service Guide and Rules.

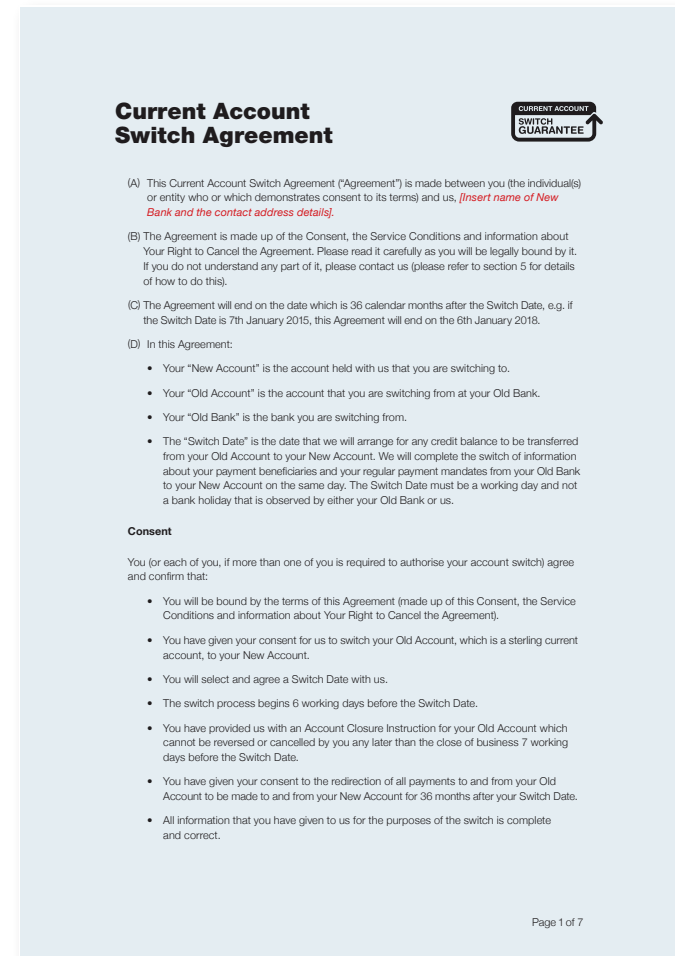
LAYOUT

The Agreement must be shown in full and should follow these guidelines:

- The text must be within legal minimum font size, with suitable versions available for partially sighted people
- Text should always be left aligned
- The Guarantee Trustmark must appear prominently at the top of the first page of the document
- References to the Banks or Building Societies involved must be updated according to the individual customer's circumstances.

Areas this should appear:

- In-branch collateral
- Website (mobile and desktop)



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CURRENT ACCOUNT CLOSURE INSTRUCTION

This is for customers requesting the Current Account Switch Service.

You can see the full timing details in the Service Guide and Rules.

LAYOUT

The document must be shown in full and should follow these guidelines:

— The text must be within legal minimum font size for literature, with suitable versions available for partially sighted people

— Text should always be left aligned

The Guarantee Trustmark must appear prominently at the top of the first page

— References to the Banks or Building Societies involved must be updated according to the individual customer's circumstances

Areas this should appear:

— In-branch collateral

— Website (mobile and desktop)

CURRENT ACCOUNT SWITCH GUARANTEE

To: *[Name of New Bank]* (my "New Bank")

Current Account Switch Service – Account Closure Instruction

[This box does not have to be included in the Account Closure Instruction, provided that the information it contains is captured in a connected document or medium. If the Old Bank requests confirmation of the instruction, New Bank should be able to provide evidence of this.]

Old Account number _____ Old Bank _____ Sort Code _____

In this Agreement:

- Your "New Account" is the account held with us that you are switching to.
- Your "Old Account" is the account that you are switching from at your Old Bank.
- Your "Old Bank" is the bank you are switching from.
- The "Switch Date" is the date that we will arrange for any credit balance to be transferred from your Old Account to your New Account. We will complete the switch of information about your payment beneficiaries and your regular payment mandates from your Old Bank to your New Account on the same day. The Switch Date must be a working day and not a bank holiday that is observed by either your Old Bank or us.

Please instruct my Old Bank that I wish to close my Old Account because I am switching my current account to my New Account with you.

By consenting I/we (if more than one of us is required to authorise this account closure instruction) understand as follows.

- My Switch Date is the date my switch completes and I will agree my Switch Date with my New Bank.
- Unless I have outstanding debt on my Old Account, closure of my Old Account will be effective from my Switch Date. **I understand that, whether or not I have an outstanding debt on my Old Account, my Old Account will not be available for use from my Switch Date,** even if I:
 - decide to close my New Account; or,
 - change my mind about the switch.
- By closing my Old Account I am withdrawing my authority for any regular payment mandates on my Old Account (as I am transferring this authority to my New Account).
- If I make any changes to the regular payment mandates on my Old Account or set up any new payment beneficiaries on my Old Account on or after the 6th working day before my Switch Date I must tell my New Bank, otherwise those changes or new regular payments will not be implemented on my New Account.
- As at my Switch Date, any benefits or services associated with, or dependent upon, my Old Account (e.g. travel insurance or preferential rates) will terminate.

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USE OF THESE GUIDELINES

- Only Banks and Building Societies that offer the full Current Account Switch Service can display the Current Account Switch Service brand assets on their communications.
- Participants are expected to comply with existing UK Regulatory requirements. The Current Account Switch Service does not guarantee Regulatory compliance and this is therefore a matter for each individual participant.
- The Guarantee Trustmark is a registered trademark, trade mark rules apply.
- Misuse of the contents of these brand guidelines will be treated extremely seriously. Current Account Switch Service participants are required to comply with the brand guidelines as part of their compliance to the Guide & Rules and certification of compliance is required via the Bacs Account Switching Code of Conduct. This will be further reviewed through regular engagement between Bacs and participants. Any breaches of the guidelines will be raised at CASS Management Committee level and persistent breaches may be reported to the regulators. Continued breaching of the guidelines will result in the participant having to share all future communications with Bacs for clearance before publication.

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KEY CONTACTS

If you have any questions about how to use these guidelines, please contact Bacs via:
cass@bacs.co.uk

WHERE TO ACCESS ASSETS

All assets can be downloaded from
www.bacs.co.uk/cassmarketingassets and
 are available in PDF and InDesign formats.

The marketing assets are in the password protected area of the Bacs website and are only accessible to registered users. If you haven't applied for your password **do so now**.