

**DANSKE BANK
RETAIL BANKING MARKET INVESTIGATION
RESPONSE TO POSSIBLE REMEDIES NOTICE**

1. Introduction

- 1.1.** Northern Bank Limited (trading as Danske Bank) (**Danske**) welcomes the opportunity to comment on the Competition and Market Authority's (**CMA**) Possible Remedies Notice (**PRN**) in relation to the market investigation into the supply of retail banking services to personal current account (**PCA**) customers and to small and medium-sized enterprises (**SMEs**) in the UK.
- 1.2.** Danske has limited its comments contained in this response to the main issues identified in the PRN. Danske may wish to make further representations at a later stage in relation to any of the information contained in the PRN. Danske would be happy to discuss any of the comments made in this response with the CMA in further detail.

2. Possible Remedies

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

Danske would be in favour of using existing periodic (e.g. half-year and end of year mailings) rather than trigger communications to prompt customers to review their PCA/BCA provider. We would consider that additional communication messages, which focused on customers' ability/ease of switching messages, would be possible as an addition to existing messages however we would be concerned that such messages may be interpreted by customers as a message from the bank that the bank is not interested in retaining their business.

- (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?**

Further to the above there are already a number of trigger point communications in place, many of which are mandatory requirements.

Danske prefers periodic communications with customers. Though some events

such as branch closures, imminent fees and service disruption can be drivers of switching behaviours, it is our overall view that the addition of some form of periodic, rather than trigger based communication, would be more effective in prompting customer behaviour. We would consider the provision of this periodic communication to be most effective if it accompanied the current annual summaries provided to customers.

(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?

Annual summaries already provide a lot of information on the cumulative costs of overdrafts (OD) including; interest, arranged/unarranged OD fee, paid transaction fees and package fees. Accordingly we see this as a potential intervention point at which an additional message around switching would be well placed.

To help ensure the avoidance of "information overload" we would tend to prefer using this single periodic communication, rather than a combination of trigger and periodic communications.

As stated above, we consider that trigger point based communication to customers should focus on the event that causes the trigger and that resolution of the trigger event should be the objective of communications at this point.

(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?

We note the references in paragraph 34 of the PRN to "serious or widespread loss of service" and "major dispute". It is important for these terms to be clearly defined in order to ensure that they are interpreted equally by all banks.

This will depend upon the impact on individual customers, for instance the impact of a branch closure may be less onerous on someone who does most of their banking online. Life stage changes appear to have the lowest prevalence of switching, for example, when our younger customers move from Danske Freedom to Danske Choice at age 28 and from Danske Discovery to Danske Freedom at age 18.

(d) Are there any other trigger points at which customers would be especially

disposed to consider changing their current account provider?

Whilst Danske prefers periodic communications with customers, in addition to the trigger events proposed by the CMA, one additional area of potential customer dissatisfaction is the refusal of credit; we consider this to be a possible “trigger” for both business and personal customers.

- (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)?**

We are concerned that drawing attention to specific “better-value” accounts available from other providers could be construed as providing financial advice, which Danske is not authorised to do. We do not have full information about our customers’ past (or present) dealings with any competitors, that may influence decision making; nor do we have full knowledge of the specific aspects of a current account which individual customers value e.g. cheapest price or accessibility. Each customer’s perception of value is entirely subjective. There are many difficulties with drawing attention to different accounts, one of which could be the possibility of an incorrect recommendation being made. Who would be liable in this situation?

With regard to PCWs we are concerned that the extent of the information necessary to populate an adequate range of scenarios, which accurately represent the range of accounts on offer, the range of potential customer situations, the number of providers and their geographic operating models would be extensive and that this in turn would create complexity for customers.

It is also a concern that banks may default to scenario based decision making; that is pricing or feature development designed purely to feature at the top of the list. We consider that this could reduce the incentive to innovate and ultimately lead to a situation where there is less competitive choice on offer for consumers.

- (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?**

Communication channel preference will depend on the recipients, and for many customers, potentially the majority, using text and email may not be desirable or

even possible.

The complexity of messages may also determine that some communication channels are inappropriate. For example, the character restrictions in text messages and the screen size on mobile devices may mean that text messages/messages direct to mobile devices are not appropriate for more lengthy communications.

In our opinion the default communication, accepted as the form with most widespread impact and guarantee of receipt, is physical letters, supplemented or substituted with “ebox” mail, where customers have expressed a clear preference for electronic communications. We believe that these methods are likely to be the safest and most effective options, notwithstanding the fact that physical letters are the most expensive method of communication.

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

Further to our response to question 2.1 (c) above, it is Danske’s view that the service provider should determine when such an event has taken place and the communications related to the trigger event should be their primary concern. With such a drastic event, different customers may be impacted differently and the primary focus should be on systems restoration and customer care.

(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?

For many events time is of the essence and regulatory approval may prove too cumbersome. If approval was required on an event by event basis, it is our opinion that the associated service level agreements (SLAs) and regulator capacity that would be needed would be extensive. It is our view that the content of many of the existing communications is standardised and as stated above, it is Danske’s view that adding additional switching messages at this stage could be counterproductive.

In our view periodic communication is likely to be more effective and content could be specified by a regulator in order to ensure consistency.

(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 approach would hand over responsibility and accountability to a third party. We do not feel that this will add customer value but rather would add a layer of complexity and, from a customer point of view, could lose impact. Additionally, each bank would need to establish and secure full customer consent to handing over their personal details for third party communication.

- (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?**

In the first instance we believe that compliance monitoring should be the responsibility of the provider and that it should form part of the operational risk regime operated by providers. In this way a review of compliance could fall into the normal FCA regulatory monitoring framework, assuming their willingness to do so.

- (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?**

We are not aware of any potential barriers.

2.2. *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*

We note the reference in Remedy 2 to “potential savings or rewards”. It is unclear how the CMA proposes to calculate the potential savings or rewards, whether these potential savings or rewards would make specific reference to certain banks or regions (e.g. Northern Ireland) and at what intervals such calculations would be updated. For PCAs, will the savings initially be based on the average PCA prices in Table 5.7? If so, how does the CMA propose calculating the savings for Northern Ireland? For BCAs, does the CMA intend basing the savings on the weighted average monthly prices identified in Section 6 of the Provisional Findings (PF)? If so, which customer profile does the CMA intend using? Danske’s responses to the Updated Issues Statement and the PF clearly outline Danske’s concerns in relation to the calculation of PCA and BCA prices and the CMA itself has highlighted the limitation in relation to the pricing calculations (see, for example, paragraphs 5.66 and 11.41 of the PF), particularly in relation to BCAs where prices are frequently

negotiated. In any event, the potential savings or rewards that may be available to customers would clearly have to be calculated at regular intervals to ensure that customers base any decisions on whether or not to switch and the choice of current account on up to date information.

We would question focusing campaigns on the benefits/rewards of switching given that this is heavily dependent upon consumers' current satisfaction, circumstances, product choices etc. Instead we would propose that it is advisable to concentrate on dealing with the two primary issues highlighted by the CMA, namely increasing consumer awareness and easing the perception that the process is difficult. This could be achieved through:

- Sustained advertising of CASS; and
- Providers referring to CASS in relevant communications.

In terms of possible segmentation, we would propose that any level of targeting should be focused on 2 categories only - (1) personal and (2) business customers. It is our view that any further segmentation of audience or message would create a marketing campaign which becomes fragmented and which ultimately then dilutes the core message that CASS exists and that it makes switching easy. As the evidence presented suggests that these are the two key issues, then they should also be the two core objectives of any marketing campaign.

We believe that a promotional period of 1-3 years duration would seem appropriate to increase awareness of, and confidence in, CASS. We would suggest that the promotion could be concentrated in the first year, with periodic reminders throughout years 2 & 3 of the promotional period.

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

We believe that the promotional activity should focus on two key indicators only: (1) Consumer Awareness of CASS service and (2) consumer perception of the ease of switching.

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

All current account providers should be required to follow the CASS brand guidelines.

- (c) **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?**

We are not aware of any comparable sector learnings.

- (d) **Are there particular customer segments or trigger points that should be targeted by such campaigns, in addition to those mentioned here?**

If the main challenge is awareness and perception of CASS, then we believe this requires a sustained and concentrated approach to marketing rather than a multisegment/ trigger based approach.

As stated above, we feel that any segmenting beyond business and personal customers would fragment the campaign and dilute the message.

- (e) **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?**

We believe funding should be based upon a mixture of market share and net gains.

- (f) **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?**

BACS should be advised by an advertising agency. BACs should be responsible for commissioning activity and for ensuring that clear objectives are set, whilst the marketing agency should be responsible for campaign development, media placement and execution. Measuring progress should be handled by an external market research company.

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

We question whether the low usage of Midata to date is due to the deficiencies

of Midata highlighted by the CMA or to the broader issues of consumer satisfaction with current providers, consumer use of internet based search/information tools or to the general consumer perception that switching is difficult, as outlined earlier.

Midata appears to be quite a complex/technical solution for consumers and expensive for smaller banks and new entrants to fund. It is our view that periodic communications, as suggested in Remedy 1, would be more effective in reaching a broader customer audience and that the increased marketing of CASS would be a more effective tool in stimulating awareness of how to switch and how easy it is to do so.

As previously suggested the complex array of current accounts offered by providers, allied to the range of potential individual motives/circumstances influencing the choice of potential new providers is unlikely to be best served by a PCW/Midata solution which would have to offer customers a very extensive range of options.

Whilst Danske has not signed up to MiData it is our understanding that the scheme has been adopted mainly by the larger GB based banks and that significant IT development would be required to participate in this scheme. Inevitably, such significant IT development would result in considerable costs for the smaller Banks who have not yet signed up to MiData. As new entrant/smaller banks have lower market shares than the incumbent banks who have already signed up to MiData, the costs of implementing this service are likely to be both prohibitive and disproportionate to the numbers of customers who can/will avail of this service. We would also contend that the implementation of enhancements to the MiData service will be significantly less costly for the larger incumbent banks who have already signed up to the scheme.

Furthermore, any banks implementing the MiData service for the first time would require sufficient time to develop and implement the appropriate IT capabilities to offer the MiData service. This would result in significant delays in the implementation of the proposed remedy for banks who are new to the MiData service and would provide incumbent banks with a competitive advantage.

For these reasons, it is Danske's view that the proposed remedy has the potential to penalise the small/new entrant banks who do not currently have the IT capabilities to support the MiData service. The impending PAD legislation will require providers to adopt standardised terms and definitions of charges linked to PCAs. Providers will also be required to comply with a standardised approach to the presentation of these materials and to ensure that they are

available on demand for customers.

As we currently understand, the PAD requirements will also extend to ensuring that consumers have access to a comparison site which is both independent and which would feature each bank and a note of their standard terms.

This harmonization will, in our view, facilitate comparison between providers and, together with the annual communication of fees and charges (required by PAD in addition to current communications), will allow customers to conduct meaningful comparisons.

In our view an extension of these PAD requirements to also include BCAs would be a way that the CMA can achieve the objective of making it easier to compare providers in a way which allows customers to access information both digitally and physically.

As set out below it is Danske's view that the PCW which is to be introduced as a result of PAD combined with common terminology will address the CMAs concerns in a more proportionate manner. The costs and difficulties in going beyond the requirements of PAD outweigh any potential advantages to be gained.

- (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?**

We would imagine that adopting and implementing common API standards across the industry would be relatively complex, time consuming and very expensive, particularly for the range of smaller providers operating throughout the UK. Any such proposed solution would need to ensure alignment with PSD requirements and be accessible for all of the competitors in a market place.

- (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?**

For the reasons detailed above, we consider that the production of a suitably reflected range of standardised scenarios/ profiles from all providers in the

market is likely to produce a vast array of information for consumers. It is possible that such an outcome will create complexity rather than transparency and that it will only be a solution which is accessible for digitally predisposed consumers. As stated above, we consider that the PCW which is to be introduced as a result of PAD combined with common terminology will address the CMAs concerns in a more proportionate manner.

- (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?**

We believe that the production of a comprehensive comparison model will require the inclusion of all possible consumer scenarios, SME product offerings and charging structures. This combination of datasets will represent a large combination of possible outcomes which would make an effective operation of a PCW complex and potentially make consumer choice more complex and less transparent. It should also be noted that any such system would not adequately capture the ability of SMEs to negotiate with some banks, thus potentially misrepresenting price comparisons.

In our view an extension of the PAD requirements for PCA providers to include BCAs would represent a more meaningful outcome for consumers and facilitate greater transparency when consumers consider alternative banking providers.

- (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?**

Danske is not a member of Midata and cannot therefore comment.

- (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?**

See answer to (d) above.

- (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?

As we are not a member of MiData, we cannot comment on the technical difficulties. However it is difficult to understand how the CMA would propose standardising lending scenarios for SMEs when there are providers who negotiate all lending terms and there are those that negotiate only in the larger business market.

It is a concern that such an approach may lead to the removal of negotiation from BCA lending for some providers, which would in turn create a less favourable outcome for customers and reduce competition by removing this competitive feature from the market which may result in higher charges for customers.

As previously stated, it is our view that the requirements of PAD would represent a more meaningful and comprehensive consumer outcome than an extension and promotion of Midata.

- (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?**

Please refer to our response to question (f) above.

- (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 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?**

Our understanding of the impending PAD requirements is that providers will have to contribute to an independent PCW which will share providers' standardised pricing details. We are not yet clear on who the PCW provider will be.

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

As stated above, PAD will require providers to adopt common standard definitions, to present them in a common way and to make them available to customers on demand. This means that details on charges will be available both in electronic and physical formats, thereby enabling customers who lack internet access to access the information needed to make price comparisons between providers.

2.4. Remedy 4 – A PCW for SMEs

We consider that the development of typical scenarios and the creation of a new PCW for SMEs will present significant implementation issues and question the effectiveness of this approach. We consider the impending PAD with the requirement for common PCA terminology and common standard for presentation of fees and charges information linked to an independent PCW to offer a better solution to the issues highlighted. It is our view that an extension of the PAD requirements to cover BCAs would be a more effective remedy as it offers transparent comparability of banks' fees and charges.

Alternatively, trying to provide indicative loan pricing may result in estimates which will bear little resemblance to the actual pricing which a consumer might ultimately agree with their chosen provider given that providers do not operate a common approach to credit making decisions. This could result in customer dissatisfaction; a protracted application process etc.

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

It is our view that BCAs and deposits could be included if standardised terminology was adopted as proposed above. We do not believe that indicative loan pricing could be included as (a) pricing is negotiable and (b) it is based on the individual pricing policies of each bank. As stated above, we favour an extension of the PAD approach to include BCAs which, when taken in conjunction with the provision of annual summaries, would make comparisons between providers much easier.

(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?

We do not believe that anything other than standard BCA tariffs should be

included. Indicative prices for borrowers are negotiable and dependent upon SMEs' credit rating, which in turn can be influenced by a combination of external and internal factors which are unlikely to be common across providers. Areas of variation will include the providers' credit appetite and approach to the sector within which a business operates, whilst individual loan pricing will be dependent upon the level of collateral which an SME can provide, loan purpose and loan term.

Currently businesses will often approach banks with an incumbent provider's price, or with a competitor quote with a view to leveraging the best deal through negotiation. Accordingly, providing indicative pricing is not something which we believe could enhance the process of negotiating rates with banks in a manner which would be meaningful to the SME.

- (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?**

Refer to earlier answer re extension of practices required from PAD. This approach combined with annual summaries would facilitate businesses in comparing transaction costs from different providers.

- (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?**

There are existing PCWs in existence e.g. gocompare, moneysupermarket. We believe that common bank terminology and presentation of such would allow PCWs to access and present comparative data. It seems logical that we would use the PCW mandated by PAD as a starting point for activity. We would also suggest that existing PCWs will continue to access financial services providers' data and feature comparisons and therefore we regard the creation of a new PCW as an unnecessary and disproportionate expense.

- (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?**

Existing commercial arrangements are based upon consumer demand. The success of any PCW is likely to be driven by the demand for comparison data and the relevance of the information provided by the PCW. It is our view that SME data, if presented in an easily accessible and commonly presented format, would be something which PCWs would wish to include to enhance the overall attractiveness of their proposition.

If there is a lack of demand from commercial PCWs, we would suggest that, rather than investing in the establishment and marketing of a wholly new PCW, using an existing established business information source, such as Betterbusinessfinance.co.uk, which already provides businesses with advice and guidance on how to access banking facilities, provides comparative bank data as well as supporting information for businesses, is developed.

(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?

We do not have any information on current oversight arrangements and therefore are not in a position to comment.

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

The main obstacles are the provision of scenario based BCA data, including range of scenarios, accuracy and comprehensiveness, and the suggested provision of indicative credit pricing (including ODs and loans). In these examples we would have to ensure that any data was provided strictly in accordance with FCA guidelines and rules. As suggested, the provision of indicative credit pricing could be interpreted as an invitation to do business and would become a Financial Promotion and therefore would be subject to the FCA's Financial Promotions rules and CONC.

(h) What would be a reasonable timetable for the creation and launch of a PCW for SMEs?

As we understand it, PAD covers PCAs only. If SME terminology was included within PAD then an existing PCW such as Betterbusinessfinance.co.uk could be used to provide a platform on which further SME comparison data could be hosted.

- (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 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?**

Standardisation of format should be possible for the primary services provided to SMEs through BCAs. It should be a “goal” that an agreed list of such services be established and then adopted, as has been the case in PAD. As stated above, we do not think that standardisation of rates for loans and overdrafts is possible due to the fact that all SMEs can negotiate rates for credit.

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

We consider that many providers will currently measure the satisfaction of their customers, but that these surveys are likely to vary significantly except at the most basic level.

- (a) **We agree with the evidence provided by the CMA that satisfaction levels with providers are typically high. Whilst we note that other 3rd parties already provide comparative customer satisfaction data e.g which? we believe that the development of a UK wide customer satisfaction metric would represent a substantial investment for providers with only marginal returns in terms of customer satisfaction improvement. 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?**

Potential facets of service quality for inclusion in such a survey could include ease of contacting bank, bank responsiveness, reliability of service provision, fairness of fees, quality of relationship management, quality of digital offering. We believe that variances are evident between different customer segments and delivery channels. For example, in the PCA market we would expect younger customers to require a much higher degree of digital delivery quality compared to older customers who may value personal interaction with bank staff more highly.

- (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?**

Performance should be tracked and reported in a simple numeric format which would facilitate cross bank comparison. We would suspect that most providers currently measure the satisfaction of their own customers, but would also believe that they measure different standards/terminology in line with their own business strategy and customer proposition.

- (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?**

Whilst we are familiar with NI surveys given our geographic area of focus, we are unaware of any survey which adequately measures all providers of PCAs and BCAs in a statistically significant and accurate manner across the UK.

As previously stated we believe that all providers should be included in such a survey as excluding one may detrimentally affect their ability to compete if consumers viewed the absence of any survey score in a negative manner. Furthermore, in order for the results of a satisfaction survey to be useful to consumers who wish to compare performance across banks, the results presented for individual banks (including smaller banks, and banks focused on particular parts of the UK such as Northern Ireland) must be based on a sufficiently robust sampling methodology and sufficiently large sample size to reduce sampling errors to within an acceptable range. Danske Bank would be happy to comment on the specific sampling methodology and sample sizes associated with any survey being proposed by the CMA in due course.

- (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?**

Publishing service quality data on provider's websites (in a manner similar to the FCA requirement to publish banks' complaints statistics) seems the most reasonable solution.

- (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 we are not aware of any current survey that exists we believe that using a third party option would appear to be the only way to deliver such an objective

and which can overcome the challenges of ensuring adequate inclusivity, statistical accuracy, objectivity and consistency.

- (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?**

In the first instance, the provider should have responsibility for ensuring that the data they are providing is an accurate and true data set. Secondly, the research company undertaking the survey should be responsible for monitoring provider's data to ensure that accurate and up to date material is being used. Thirdly, the Market Research Society Code of Conduct standards, which monitors and enforces the market research code amongst members, could be used.

We note the reference in paragraph 88(f) of the PRN to "up to date" service quality data. Danske considers it important that service quality data is updated at regular intervals due to the speed of developments and innovations in the banking sector, particularly in relation to the digital offering of banks. We would suggest that service quality data should be updated at least every 6 months in order to remain relevant and representative of the actual offering of the banks at the time the customer is making a comparison. Otherwise, there is risk that customers make decisions based on outdated and misleading information.

2.6. Remedy 6 – Standardise and simplify BCA opening procedures

From an anti-money laundering (AML) perspective, each individual firm must undertake a risk assessment to decide what AML / Terrorist Financing (TF) risks their customers will present - taking into account geographical operating environment, channel, product and customers (what type, where they are located, what their business is etc). This drives the level of information / documentation that each firm may ask customers for, and this level may vary greatly from one firm to another depending on their risk assessment, AML policy and risk appetite. The type of customers presenting to each firm may also differ depending on market area, location, type of financial institution etc. For these reasons, it is Danske's view that it would not be possible to standardise BCA opening procedures.

We do not have any responses to the individual questions raised below.

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

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

2.7. *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*

- (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?**

We consider that it is practicable for a bank to provide a definitive answer on an overdraft application as an integral part of the account opening process. Generally speaking, banks gather sufficient information on a customer’s income and expenditure as part of the account opening process to enable a credit decision to be taken. However, the success of this depends entirely on the amount of information provided by the customer. In our experience, the customer already provides adequate information (as part of the account opening process) to allow a definitive answer on an application for an overdraft to be made. Consequently, we do not believe that such a requirement would be likely to extend the length of the account opening process.

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

It is Danske's view that a tool such as that described in paragraph 96 (a) of the PRN would not be useful to customers as it would not provide customers with a definitive answer on overdraft applications. If a customer requires an overdraft facility from their new bank, a key part of their decision to choose the new bank will be whether or not the required overdraft facilities will be granted. Whilst the proposed tool may be useful in identifying possible lenders we do not feel that this addresses the immediate need of customers when switching an overdraft facility to a new bank i.e.- a definitive decision on whether the desired overdraft facility will be approved.

However, we consider that the alternative option set out at paragraph 96 (b) of the PRN which suggests that the account opening process could be structured in a way that facilitates provision of a definitive answer on an overdraft application as part of the account opening process to be a much simpler and more proportionate way of addressing this issue.

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

We would suggest that the provision of information to a customer on how to prepare details of their income and expenditure, together with guidance on any supporting documentation the bank requires to verify these details, would make the application process for an overdraft easier and more transparent.

(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?

We do not believe that partial switching would lessen the problem described in Remedy 7 as we consider that this would place the bank in a position where it is not in receipt of full customer information, thereby making subsequent requests for lending more complicated. We consider that holding more than one PCA could result in confusion for the customer in operating their transactional banking facilities and may have a detrimental impact on their Credit Reference Agency (**CRA**) score which could limit their access to lending products.

It is our view that a partial switch would affect the overdraft facilities provided to a customer as the new PCA provider would have to ensure, as a prudent lender, that the customer could afford the new level of borrowing sought. There is a risk that partial switching will lead to an excessive debt level for the customer.

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

We do not foresee material technical issues with the provision of a website based tool as set out in paragraph 96(a). We also see no regulatory obstacles to asking a customer to provide basic details of their income and expenditure as part of the account opening process to allow a definitive answer on an application for an overdraft to be provided at this part in the process. We consider that partial switching could result in an adverse outcome, as outlined above.

2.8. *Remedy 8 – Require payments into the old account to be redirected to the new one for a longer period than at present*

This issue was also raised following the FCA review into the switching service, published earlier this year. In response, the CASS Management Committee formed a Redirection Technical Working Group (**RTWG**) to investigate the extension of redirection and work is well advanced, keeping the FCA fully advised and updated throughout.

The original CASS design included redirection of payments for a guaranteed 13 month period, later increased to 24 months and finally to 36 months to satisfy the requirements in the Chancellor’s Autumn statement of 2014.

[REDACTED] The latest figures show that for those switches completed in October 2013 (now 23 months later), 96.4% of customers have no redirected/forwarded payments, [REDACTED].

In designing the latest extension of the redirection guarantee to 36 months, RTWG had to take a number of factors into account:

1. Any technical limitations of the central infrastructure and in particular the Payment Services Website used by some of the smaller CASS participants.
2. The size of the central redirections database, which is shared with the new (and quite separate) Bulk Redirections Scheme. The potential impact on performance of the linked payment schemes is an area of focus for the Bank of

England in their oversight capacity of the Bacs scheme, and any solution must ensure that performance levels for transactions processed by Bacs and Faster Payments are safeguarded and maintained.

3. The scope and timing of changes to the central infrastructure given current workplans.
4. The redirection is built around a central infrastructure system, but also requires CASS member forwarding of non Bacs, FPS and internal payments. This activity will be aligned with entries that remain on the redirection table.
5. [REDACTED]
6. [REDACTED].

The RTWG are proposing a design change, although this is subject to CASS Management approval, as follows;

- A two phase approach, to de-risk the changes required. Phase 1 introduces changes to make all redirections indefinite and must be in place by September 2016.
- Phase 2 to be implemented in June 2017, will see switch redirections gradually removed from the central database and member redirection systems based on the following criteria;
 - [REDACTED]
 - [REDACTED]
 - [REDACTED]
 - [REDACTED]

Danske Bank have already started to scope and size the changes required, and will support the CASS scheme in delivering these changes, to protect customers, enhance the guarantee, improve confidence and ultimately ensure integrity and performance levels are maintained.

In our view, this remedy is already being addressed and no further action is required.

We do not have any responses to the individual questions raised below.

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

- 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?**
- 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?**

2.9. *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*

- (a) For how long after closing their account should a customer be able to obtain details of their past transactions from their previous provider?**

We note that the CMA is proposing to 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. We see no operational reason why details of past transactions cannot be retained by banks for 5 years post account closure. However, our primary concern in providing this information to customers at any time before or after account closure would be ensuring that the details are provided to the customer in a safe, secure and cost effective manner. For example, once a customer has closed their accounts with Danske Bank, they no longer have access to our eBanking platform which would be one of the methods we use to deliver confidential information to our customers, in a secure environment. In introducing this remedy the CMA would need to give consideration to the manner in which information relating to past transactions is to be provided to customers to ensure its confidentiality.

- (b) Should providers be permitted to charge for this information?**

It is Danske's view that providers should be able to levy a charge for this information which is proportionate to the actual cost of providing the information.

- (c) For what period should past transaction data be available? Is five years' worth of data sufficient?**

See (a) above.

- (d) Would the purpose of the remedy be achieved by banks automatically providing customers with their transaction history when they closed their account?**

Danske's preference would be that the information is provided on request to the customer rather than as part of the account closure process.

Building the provision of 5 yrs transactional information into the account closure process could potentially bombard the customer with information which they have not requested, slow down the account closure process and could result in the application of fees for providing information which is not necessarily required by the customer.

- (e) What role, if any, would it be appropriate for Bacs/CASS to play in this process?**

We see this as primarily being between the provider and the customer.

- (f) Are there any technical or regulatory obstacles in implementing this remedy, for example from PSD2 or Regulations under the Small Business Enterprise and Employment Act (the SBEE Act)? If so, how could these be overcome?**

We are not aware of an impediment.

2.10. Remedy 10 – Require Bacs to transfer continuous payment authorities on debit cards when switching through CASS

Continuous Payment Authorities (**CPAs**) are products of the International Card Schemes, Mastercard and VISA and as such follow international rules and regulations. These payments are not processed through a recognised UK scheme and Bacs or Vocalink (central infrastructure) have no visibility of the transactions.

CPAs are contractual agreements made between the customer and a merchant, normally via a written or electronic agreement, which, unlike direct debits (**DDs**), are not shared with the card issuing bank, making it very difficult for banks to identify new CPAs.

Card acquirers must ensure that any merchants signed up to submit CPAs follow card scheme rules, which mandate the following;

- Merchants must prepare collection files in advance and submit these through their card acquirers, who in turn match them against card records held by the card schemes on updater databases.
- The results of the matches are returned to the merchants, who are required to update any invalid card records, often, by contacting the customer to obtain new card details.
- Once all card records are correct, the merchants submit the collection files through their acquirers, specifically coded as CPAs.

When the CASS system was being designed and built, it was recognized that CPAs, which are often viewed incorrectly by customers as direct debits, needed to be considered. Mastercard and VISA were invited to join the ASPG (Account Switching Programme Group), [REDACTED].

The CASS scheme did include in its requirements the following processes;

1. The New Bank in a switch must provide to their card scheme, details of the customers new card Primary Account Number (**PAN**), matched to the Old Bank card PAN. This is submitted to the card scheme updater database, i.e.; VISA VAU or Mastercard ABU systems.
2. When a CPA merchant submits an advance payment file through their card acquirer for pre-validation, the response will highlight the new card details, removing the need for the merchant to contact the customer.
3. The Old Bank must provide the New Bank with details of any CPAs where the customer had requested a stop/block on future collections from the merchant.

[REDACTED].

As the banks have very limited control over the card scheme processes, have little control over card acquirers, and cannot mandate the CPA services listed above on merchants (unless they are also acquirers), it was decided that the redirection of CPAs would be specifically excluded from the CASS guarantee.

From experience, we can advise that merchants do not always comply with the scheme rules, and frequently attempt CPA collections, coded as normal point of sale (**POS**) transactions, [REDACTED], or [REDACTED], try to make one-off collections as CPAs. [REDACTED]

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

As highlighted above, Bacs and Vocalink have no visibility of CPAs as they are processed through the international card schemes to the card issuing bank. The existing requirement for New Bank to submit the old and new card PANs to the card schemes goes some way toward assisting in redirecting future collections, but is wholly reliant on the merchants following the card scheme process and we know that there are costs involved which some merchants are reluctant to pay. If the merchants continue to send collections to the Old Bank following a switch, they would have to be manually forwarded as a payment request using MSG08 of the CASS service messaging system. The New Bank must then contact the customer and seek authority to pay or decline. If declined, only the bank who issued the card, i.e. Old Bank, can “chargeback” the payment to the merchant through the card scheme.

As part of a full switch the Old Bank are obliged to cancel the debit card on the account, and under PSR rules, the payment instrument is no longer valid, and future payments using that instrument should be declined.

The CPA system needs to be reviewed and overhauled, and a mechanism built so that banks are notified of any new CPAs agreed by their customers, i.e. equivalent of a DD mandate, which includes evidence of their customers’ authority to make the payment. This at least would create greater visibility and open the way for banks to at least share CPA information during a switch. In the meantime, we believe that a sensible solution would be for Old Bank to forward any CPA payment requests for a period of 13 months from the switch date. The card schemes would also need to tighten up on the CPA origination and merchant compliance with system rules, and card acquirers should be held accountable for merchant compliance just as sponsoring banks are accountable for service user compliance under the Bacs scheme.

The CPA issues are being revisited by the CASS Operations and Governance Committee, but it is neither fair nor practical to force CASS to address deficiencies in the international card scheme products/services.

- (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?***

As highlighted above, Bacs cannot guarantee the successful transfer of all CPAs, regardless of amount. The only thing that CASS can guarantee is that the New Bank will provide the card data to the card schemes to allow merchants to direct payments to the customer’s new debit card. We also think that this requirement should be at the customer’s request, thereby addressing

previous FCA concerns about customers closing accounts to escape CPA collections.

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

The remedy is more relevant to consumers, although insurance companies and utilities will accept and process CPAs, so SMEs with debit cards will also be affected by this remedy.

- (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 customer's transaction history make it easier for them to identify CPAs? How long would it take to implement the remedy?***

Please see previous response to (a).

- (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?***

We do not believe that this would work, as it would (a) erode confidence in the full switch service, (b) create uncertainty over switching date and switch completion and (c) require the customer to hold additional monies in their old bank account for an uncertain amount of time. We would suggest that the card schemes consider adding a new chargeback right, allowing banks to decline the payment, but marked as account switched and advising them to refer to the card scheme updater system.

2.11. Remedy 11 – Require all banks to support the partial switching service and to provide an equivalent guarantee to that offered as part of CASS

Within the CASS service, a participant can be registered as a Partial Switch Participant or a Full Switch Participant. The latter is mandated to also support partial switches. The partial switching service is therefore fully supported by all participants.

The full switch service guarantees a full switch in 7 days, transfer of all standing orders (SOs) and DDs, updating of regular payee details, balance transfer, or funding from New Bank in the case of an overdraft on the switch date, account closure on the switch date, with central redirection and forwarding of payments for 36 months. This service is supported by the Bacs ADDACS (for DD account

change notification), AWACS (for credit redirection) services and by Faster Payment Scheme (FPS) response/redirection activities at member level.

A partial switch allows the customer to simply choose which SO and DD payments they wish to transfer and a preferred date for this to happen. In the case of DDs, there is a reliance on the DD originator and their sponsoring bank to ensure that the ADDACS reports are actioned and future collections are taken from the new account. Failure to action will lead to DD payments being returned unpaid by the Old Bank.

Credits are a little more difficult to address, as the old account remains open, payments will not be automatically redirected and AWACS reports will not be issued to the originators, leaving it to the customer to make arrangements with an originator to make future payments to their new account.

Where a customer wants to move all payment arrangements, using a partial switch, this can only therefore be achieved through joint bank and customer activity.

It is important to note that a guarantee equivalent to that offered as part of CASS cannot be provided by the banks where the activities required to give effect to the switch are not within the control.

- (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?**

In most cases, the inducements offered by banks to switch accounts are based around customers meeting criteria which have been set by the banks on a commercial basis e.g. minimum lodgement amount, a volume of direct debits and set up of standing orders. We do not think that this remedy is likely to be effective in encouraging switching by customers who continue to use their existing account as they are unlikely to meet the criteria set by the banks to qualify for the inducements.

To ensure the remedy would be effective, in cases where the banks insist that the CASS service is used, wording would have to be introduced to stipulate that this can be either a full or partial switch and any associated conditions would have to be clearly set out. As explained above, leaving the old account open and card active will place a responsibility on the customer to advise credit (employers, etc) and CPA originators of their new account details. Alternatively,

customers can manually transfer funds from old to new bank or set up a SO to transfer the requisite amount each month.

DDs can be selectively switched, but will not be logged for automated redirection, and will be reliant on originators actioning ADDACS reports.

Without the automated debit and credit redirection, the guarantee that can be offered will be restricted during the period between the transfer of payments and eventual balance transfer and account closure on a future date, as determined by the customer.

Only when the account closure and balance transfer are completed, can automated central redirection be activated and the guarantee extended.

- (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?**

The existing system already supports the switching of accounts with overdrafts. The New Bank in MSG01, can stipulate that they will support and fund the transfer of a debit balance up to a certain amount. This value can then be increased (but not decreased) in MSG05 of the switch.

An overdraft will be agreed as part of the account opening process, which is separate from the account switch, so a customer will be aware of the facilities offered at the New Bank before the switch is initiated.

[REDACTED]

The CC 2002 investigation into PCA competition in NI provided remedies which included the provision of overdraft facilities for switching customers, where they met the New Bank's credit approval process. Perhaps widening of this requirement across the UK would help address the overdraft issue?

From a segment perspective, we can see merit in enhancing the partial switch service for SME customers. We would suggest that the enhancements could include the addition of a balance transfer, account closure and full redirection with longer timescales for completion, to allow for security/collateral transfer, Bacs service user set-up, etc.

- (c) Is the list of features that should be included in the proposed partial**

switch guarantee comprehensive? If not, what should be added?

As explained, 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. In terms of redirection, individual/selected payment collections can be redirected, but will be reliant on originators accessing/actioning ADDACS reports and submitting new collection details, while credits will continue to be posted to the Old Bank account. The central redirection service for DDs and credit matches at sort code and account level, not on individual payment instructions.

- (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?**

Again, the benefits of central redirection are not achieved until the old bank account is closed. Where a customer requests that all DDs and SOs are transferred to the New Bank, they will rely on the originators processing correct payment collections based on ADDACS instructions. Credit redirection would rely on customers selecting which payments are to be posted to the new account, and informing originators accordingly. Payments required to meet customer commitments at the new bank may well end up being posted to the old account and items returned for lack of funds.

- (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?**

There is nothing to stop the customer from achieving this at present by selecting which payments are to be moved, transferring funds to meet new bank criteria, and benefiting from any incentives offered. However, the process will not be “simple/hassle free” and the customer will have to manage additional cards, Pins, cheque books, internet access security tokens, etc. It is for this reason that we do not believe that this remedy would necessarily lead to more multi-banking.

- (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?

A seven day switching period for partial switches 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 NI 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?

Article 2 of the PAD suggests that following a switch request, the Old Bank will forward not only details of DDs and SOs but also recurring incoming credits. There is no simple mechanism for the Old Bank to record or supply this data, i.e. there is no DD or SO mandate, and payments can be received from various 3rd party sources. A solution to record incoming credits and indeed CPAs and a mechanism to allow selective debit or credit redirection at transaction level would assist both PAD and the CMA remedies.

(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?

It would have to be transparent to all potential customers and regulated to ensure that customers were treated fairly.

2.12. Remedy 12 – Changes to CASS governance

The Danske Bank representative for CASS is currently chair of the CASS Management Committee Redirections and Compliance Working Group and Technical Redirections Working Group.

CASS is a managed service under the Bacs scheme governance. However, the membership of Bacs is very different to CASS, and hence the CASS Management Committee (**Committee**) are charged with managing the scheme

from an operational and strategic perspective. The Bacs Board receive regular updates on operational performance, budgetary management, risk and compliance, etc.

The CASS Management Committee took on responsibility for the service in February 2014 following launch, and faced some initial challenges, most notably around 1st time acceptance rates on switches, which were tracking at 90%. Significant rework on the acceptance criteria, has seen this figure improve to 95% plus on a daily basis. The Committee have also introduced enhancements to the eligibility criteria, contracts and guarantee, in support of opening up payments systems membership and in readiness for PAD.

The Committee took the decision to extend redirection to 24 months and subsequently have implemented a 36 month solution to address HMT demands and are implementing further enhancements to address the concerns raised in the FCA review.

The awareness and confidence targets set when CASS was implemented are challenging but remain a key focus for the Committee, witnessed by the communications strategy and the recent call for additional central advertising funding.

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

No. The voting structure was agreed as “one man – one vote” to ensure that all participants had a voice and carried the same weight in discussions.
[REDACTED]

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

We believe that the structure of the Committee is appropriate in size, and in the skill set of attendees. The biggest challenge is ensuring that information is fed back through the appropriate senior ranks within member organisations.

- (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?

The Committee works on the basis of consensus and will only force a vote where agreement cannot be attained. [REDACTED]. We believe that the voting structure works and that no one or collective parties can sway decisions adversely.

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

CASS is a management committee rather than a Board, but we believe that elements of Principle 2 (Governance) of the CPSS-IOSCO framework should apply and would welcome independent oversight. This could be achieved through;

- The election of an independent chair

and/or

- By referring key matters for ratification/noting to a subset of the Bacs Board, comprising the independent chair, non-exec Director, Bacs MD and Scheme Manager.

2.13. Remedy 13 – Data sharing with credit reference agencies

(a) SMEs will have to consent to the sharing of bank data with CRAs. Are there obstacles to doing so, for example on grounds of data confidentiality?

An SME may choose to exercise its choice not to provide consent to the sharing of bank data for a number of reasons, including confidentiality of commercially sensitive data. In our experience, SMEs are reluctant to provide consent to the sharing of data such as turnover through their account and level of indebtedness as, taken in isolation, this data could be viewed negatively by prospective lenders and could ultimately have an impact on their ability to do business. It is considered that, without full SME participation, which we consider to be highly unlikely, the implementation of this remedy is likely to have negligible effect.

- (b) To be effective, would this measure need to be accompanied by other remedies, for example to prompt SMEs to seek alternative sources of lending or make it easier to access or assess lenders' terms?**

In order to be effective this measure would require it to be mandatory for all SMEs to provide consent to the sharing of clearly specified bank data with CRAs (i.e. an SME would be required to “opt out” of data sharing rather than “opt in”). The CRAs and banks / finance providers would then be in possession of a consistent level of data on each SME and so create a “level playing field” for this data to be used in the credit assessment process.

- (c) This remedy is focused on the information asymmetry advantages enjoyed by incumbent banks. Are there other advantages they enjoy that could be shared, for example customer access? Would it be feasible or desirable, for example, to expose all loan applications made to an incumbent to a wider market, rather than just those that were refused, as envisaged in the SBEE Act?**

We consider that there are issues of customer data confidentiality with this suggestion. Any sharing of customer data could only be undertaken with the customer’s explicit consent.

We consider that this is neither feasible nor desirable for a number of reasons, including customer data confidentiality as well as an adverse impact on the time taken between application and decision. This approach could also result in adverse customer outcomes, including the risk of an applicant not being treated fairly by a lender (i.e. failure to secure lending from other funders could lead to an assumption of high risk which in turn could lead to high cost funding offers).

2.14. Remedy 14 – Commercial open data and data sharing proposals

- (a) Over what timescale are services arising from the Open Data Initiative likely to evolve into an effective means of sharing business data?**

We consider it is not possible to determine a likely timescale for this initiative to evolve into an effective means of sharing business data. This could be informed by the changes to the original implementation timetable for the sharing of declined business applications for credit under the SBEE.

- (b) What technical or regulatory obstacles do they face and how can these be overcome?**

The process for identification of designated platform providers under SBEE suggests that there are a range of actual and potential technical obstacles to implementation of this initiative. It is our view that the lessons learned from this aspect of SBEE should inform the decision as to whether to continue with the implementation of future HMT sponsored initiatives.

- (c) Even were the technical and regulatory obstacles overcome what incentives would providers have to use such services?**

It is our view that a provider would need to be able to demonstrate the addition of value to their business to use this service. A view of value would be informed by a number of criteria including, for example ease of use, set up cost (and associated period to recoup) and demonstrable level of sustainable, additional profitable business for the provider.

- (d) What incentives would SMEs have to use such services? Would it be necessary or desirable to promote them to SMEs and intermediaries and, if so, who should be responsible for doing so and how should this be funded?**

Incentives to use such a service could include discounted fees for a specific initial period, as is already common practice. However, any incentive provided should not place an SME who chose not to use the service at a disadvantage.

These services should be promoted to SMEs and intermediaries. A new entity, funded by trading associations representing SMEs, should be created to undertake this role.

2.15. *Remedy 15 – Require banks to provide a loans price and eligibility indicator*

- (a) Are there any technical or regulatory obstacles to the adoption of this remedy and, if so, how could they be addressed? How quickly could this measure be implemented?**

We do not consider this to be in the interests of either the financial institution or the customer. From the financial institution's perspective the basis for setting pricing parameters includes, amongst other factors, its capital position, risk appetite, portfolio strategy and future strategic business direction. Within these pricing parameters, the pricing of lending to SMEs is subject to negotiation on the basis of the specific circumstances of the customer and the nature of the transaction. In addition to an assessment of the customer's level of credit worthiness, these circumstances can include the type of funding requested, the term of the borrowing and the collateral the customer can provide. If pricing and eligibility was to be restricted to a web based tool this would detrimentally impact on the customer's ability to negotiate a bespoke price for their lending.

(b) To which lending products should the remedy apply?

Notwithstanding our response under (a) above, if this were to be adopted then this should only apply to the most basic products (e.g. overdraft and credit card).

(c) Should the format of such a tool be standardised or should banks be free to develop their own with, for example, certain minimum requirements?

Notwithstanding our response under (a) above, if this were to be adopted then such a tool should be standardised in order to allow fair and transparent comparison.

(d) How valuable would an 'indicative' offer be to SMEs? Would it be necessary to impose any obligations on providers as to the circumstances in which an indicative offer could be varied or withdrawn if the SME went forward with a loan application?

It is our view that an indicative offer to SMEs is of limited value due to the number and nature of caveats that would necessarily have to be built into such offers.

It is our view that adoption of this remedy would undermine the quality of the financial institution's portfolio. In addition, it is our view that the customer would experience a simpler, more transparent and more efficiently delivered decision by progressing a loan application directly rather than through the development of a complex indicative offer process. There is a risk that a complex indicative

offer process would become, through regulations and / or litigation, a “de facto” loan application approval process. It is our view that this outcome could result in unfair treatment of customers and poor customer experience (e.g. as a result of delays in the process), neither of which are in the best interests of the customer.

- (e) Should banks also be required to set out, in standard form, the terms on which they are willing to make loans, including arrangements for early repayment?**

It is our view that it is neither practical, nor desirable, for banks to set out their credit policy and credit risk appetite (i.e. their terms for doing business) in a standard format as this undermines the bank’s commercial confidentiality. We consider it appropriate that banks set out the terms on which early repayment can be made in a clear and easily understood manner for customers.

- (f) What incentives would SMEs have to use such services? Would it be necessary or desirable to promote them to SMEs and intermediaries and, if so, who should be responsible for doing so and how should this be funded?**

We cannot envisage any incentives that would encourage an SME to use this service.

- (g) What monitoring and enforcement arrangements would be needed for this remedy? Who should be responsible for overseeing it?**

Provision of loan price information should be subject to the same monitoring and enforcement arrangements as are currently in place for other forms of financial marketing information.

This should be overseen by those currently responsible for the oversight of financial marketing information (i.e. FCA).