

Competition & Markets Authority

Retail banking market investigation: Notice of possible remedies

27 November 2015

Summary

MoneySuperMarket.com has been helping UK households save money on their household bills and finances since 1999. Our vision is to help every household make the most of their money. We provide our customers with free, easy to use, online services so they can search for a wide range of products and find the product most suited to their needs.

The notice of provisional findings identifies that there are low levels of switching in the personal current account market. This finding is consistent with our experience and the Department for Business Innovation & Skills "Switching Principles" call for evidence issued in October 2015, which reports that only 3% of consumers have switched bank account in the last 5 years.

We concur with the view that the key features of the market which restrict switching are low levels of consumer awareness and engagement together with barriers to accessing and assessing information on current accounts. These features mean too few consumers are seeking to compare current accounts and those who do are restricted in their ability to make informed decisions on appropriate products.

We support aspects of the possible remedies, but we feel they will not deliver a genuine step change in switching levels across current accounts as they do not adequately address the issues of consumer awareness and barriers to accessing information.

The proposed remedies recommend extending existing event driven messaging to consumers led by current account providers. We believe that consumer awareness can only be improved through more tailored prompting and messaging which relies on data being made available to intermediaries such as Price Comparison Websites (PCWs).

The availability of transaction data is critical to reducing barriers to accessing and assessing information. The proposed remedies still maintain the status quo where current account providers control such data rather than genuinely putting customers own data in their own hands. From recent industry experience, it is clear the current execution of Midata is not working as it does not offer the right functionality to consumers. A common standard for APIs, capable of working across multiple platforms or device types through which consumers are in control of their data and can make it available to intermediaries including PCWs is required.

The notice of provisioning findings additionally identifies there are barriers to switching in that consumers perceive that switching accounts is burdensome. We believe that the Current Account Switch Service (CASS) which comprises a seven-day switch guarantee means that switching current accounts is easier than ever and therefore do not believe this should be core area of focus for remedies.

Detailed response to possible remedies

We believe the Price Comparison industry can play an important role in helping consumers compare and switch current accounts. We have prepared detailed responses to those possible remedies which could have the greatest impact to increasing consumer awareness and reducing barriers to accessing information.

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

The proposed remedy envisages the additional prompting of customers to consider making changes to their current account arrangements and explain how to do so, at points when there is a greater prospect of them doing so.

We agree that greater prompting and messaging to consumers should help to increase consumer awareness of switching current accounts. We agree with the CMA that the effectiveness of this remedy will be dependent on the timing of messages and prompts, the content of messages, their source and the medium of their delivery.

We believe that in order to be effective, prompts should go further than the current event-based prompts from current account providers which have had little impact. Prompts should use data to show customers that their pattern of account usage results in bank charges that may be avoidable with an alternative account. This would require greater availability and use of consumer transactional data (see remedy 3 below). Further, we would support steps which would facilitate messages from regulatory bodies or intermediaries including PCWs which could provide consumers with comparisons on the available alternatives.

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

We support the principal of this remedy, but believe that a step change in approach is required. The current execution of Midata is not strong enough for consumers to fully engage with. The current process of consumer locating their transactional data on their online banking platform, downloading it and then uploading it to a PCW is inefficient and there are numerous operational reasons why it may not work in certain circumstances.

Consumers should be able to create tailored comparisons of current accounts using their transactional data, but this needs to be delivered in a much more seamless way. We additionally believe it would encourage further innovation and competition between the current account providers.

The creation of a common standard for APIs which would allow PCWs, with customers permission, to access transactional data should be viewed as a minimum requirement for this remedy to have any tangible effect on levels of switching. This remedy should put consumers, rather than current account providers, in control of data. Consumers should be able to create tailored comparisons from which they could make better informed decisions on switching and they should be able to give permission to PCWs to use access the data on an ongoing basis to help them identify the circumstances under which switching current account provider would be beneficial.

In recognition of changing consumer behaviour we further note that the common standard for APIs would need to work across multiple platforms, including mobile and smartphones.

In order to encourage innovation and competition across the industry, we believe there cannot be restrictions on the features and functionality of this solution. The current Midata approach is too restrictive to be innovative. Current account providers need to give access to raw data for intermediaries including PCWs to develop their own customer experience and messaging.

We would welcome an expansion of the Open Banking Working Group to include representatives from the PCW industry.

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

We agree that the provision of qualitative information would help consumers make informed decisions about which current accounts are most appropriate to them. We have recently started to include customer service ratings by current account provider on the MoneySuperMarket.com website.

We believe that, in order for this remedy to be most effective, current account providers should be obliged to make granular customer service metrics available rather than prescribing a methodology to determine a single customer service score. This should include current and historic data in order that analysis of trends can be performed. The metrics should be made available directly to consumers and intermediaries (including PCWs). In order to support further innovation, we do not believe the method of communication should be mandated.

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

We recognise that in certain circumstances in the current market some customers could potentially be worse off by switching as they are unable to obtain an equivalent overdraft facility with the new current account provider. Whilst we appreciate that current account providers need to complete credit check and affordability assessments before overdraft facilities can be offered, we believe such checks should be brought forward in the switching process.

A number of organisations, including MoneySuperMarket.com are able to perform quotation searches involving a soft credit check to customers in advance of application for other types of consumer credit in order to provide greater certainty on the likelihood of acceptance. This is a proven solution and we would be supportive of similar quotation search arrangements being put into place for current accounts.

We do not believe that the proposal to require providers to make a tool available on their website to help potential customers assess whether they would be likely to be granted an overdraft facility would be effective as it would make shopping around more complex and time consuming. In order for such an approach to be effective the tool would need to be consistent across the industry and available to PCWs.

The main issue with the proposed remedy on partial switching is the implication on customer credit records. In order to process an application, a current account provider will perform a hard credit check on



the customer. If the customer is unable to obtain an appropriate overdraft facility, the partial switch will mean they can revert back to their existing current account provider, but the hard credit check may them impact future applications for credit and thereby restrict the ability of the consumer to consider alternative current account providers.