LLOYDS BANKING GROUP

CMA RETAIL BANKING MARKET INVESTIGATION

LBG Response to Remedies Notice

Comments on remedies and responses to CMA questions

25 NOVEMBER 2015

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This submission comprises the following sections:

- **SECTION 1:** LBG's comments in relation to the remedies set out in the CMA's Notice of Possible Remedies ("**Remedies Notice**").
- **SECTION 2:** LBG's responses to the remedy-specific questions set out in the Remedies Notice.

SECTION 1: LBG's comments in relation to the remedies set out in the Remedies Notice

INTRODUCTION

LBG set out the key principles that need to be considered in relation to the CMA's remedies package as a whole in its submission of 20 November 2015. In this document, LBG sets out its comments on each of the remedies proposed by the CMA in the Remedies Notice. LBG's additional remedy-specific observations are also set out in this document. Comments are in two sections:

- **PART A: Remedies where the immediate next step should be to move quickly to implementation.** These relate to those remedies that seek to make operational changes that providers and relevant third parties can undertake or which already exist in some form.
- **PART B: Remedies where trials are a necessary next step before any form of rollout**. This category relates to those remedies that seek directly to influence customer behaviour.

Information Commissioner's Office concerns

LBG has read with interest the Information Commissioner's Office ("**ICO**") response to the Notice of Possible Remedies. This raises two significant issues that the CMA should address in its remedies development work going forward.

First, it appears that the prompts envisaged to be part of Remedy 1 may constitute 'direct marketing' for the purposes of the DPA and PECR.

About half of LBG's personal and business customers have chosen to opt out of marketing activities, which at face value would exclude these customers from the scope of the remedy. As the CMA is aware, LBG fully supports this remedy, which has the potential to deliver significant customer benefits.

The CMA should establish whether the prompts would in fact be classified as direct marketing, and whether there are any forms of prompts that would not constitute direct marketing. In this regard, LBG notes that HSBC has recently defaulted customers to receive debit and credit card usage alerts.[1] It is critical therefore that the CMA addresses this challenge to ensure as many customers as possible are able to benefit from the prompts and new information that are being considered.

The CMA should also investigate the extent to which a statutory order adopted by the CMA obliging providers to send prompts in specified circumstances would constitute a relevant legal obligation with which providers would need to comply as a data controller under paragraph 3 of Schedule 2 to the Data Protection Act 1998. More generally, the CMA should explore how communications to customers (through all channels) that are designed to help customers to reduce costs through behaviour change and/or product change are not undermined as a consequence of data protection or privacy concerns. This could include recommendations in relation to legislation if necessary.

Second, the ICO raises concerns that the forthcoming Open API standard will create data protection risks, specifically that: "*where an API is used to access and share data there is less visibility and this creates a challenge in terms of ensuring any consent given by the individual for the processing of their data is specific, informed and freely given. The issue is exacerbated when the access provided is ongoing...Individuals need sufficient control of their data and an informed understanding of what organisations are doing with it.*"

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[1] http://www.hsbc.co.in/1/2/personal/internet-and-self-service-banking/mobile-alerts, http://www.theguardian.com/business/2015/nov/02/hsbc-first-direct-customers-saved-85m-overdraft-charges-text-warnings

LBG agrees that customers must have sufficient control of their data and have an informed understanding of what organisations are doing with it. Comparison tools (as envisaged by Remedies 3 and 4) are covered by data protection laws. Customers should consequently have all the protections the ICO suggests. This means that the data transferred to comparison tools through APIs do not need to be redacted, as redaction would reduce the accuracy of comparison tools. Appropriately implemented APIs also provide secure transfer of customers' data, which should reduce risk of fraud and data being phished. API based comparison services are, by design, more secure than the current arrangements, where customers have to download their own midata files to their devices and then upload these to the comparison providers. APIs will also allow much greater control over access, as they can define whether access is, for example, continuous or one time only.

Engagement with third parties

Where LBG's comments below suggest that further engagement with third parties is required to implement a proposed remedy, LBG would reiterate that this is feasible and it supports the CMA in these efforts. Should the CMA find it helpful, LBG is willing to meet with CMA staff to discuss in greater detail how such engagement might best be managed within an appropriate timeframe.

PART A – REMEDIES THAT CAN BE IMPLEMENTED QUICKLY

Remedies 3, 4, and 5 all seek to enhance the comparison services available to personal and business customers. LBG first sets out some general comments on the important issues to consider as part of the design of these remedies. Further comments are then provided on each of the remaining remedies in turn.

Price comparison websites (PCWs) will play an important role in comparison remedies

PCWs already provide a range of comparison services across financial and other markets, and deliver significant customer value. While other comparison services may emerge, the existing set of PCWs will be well placed to deliver new tools and services following implementation of the CMA's remedy package.

However, there are a number of known regulatory issues in the PCW market that are in the process of being addressed.[2] In particular:

(a) the absence of quality data and appropriate framing can lead customers to make poor choices;

(b) in turn this can create incentives for providers to offer low prices to achieve top rankings by reducing quality in ways that are not transparent to customers;

(c) many PCWs do not rank solely on objective criteria;

(d) many use focal pricing to highlight certain providers; and

(e) many do not provide full market coverage.

These issues can all be addressed through codes of conduct and appropriate oversight. However, the CMA should consider these issues when designing new comparison remedies. In particular, the CMA should decide how best it can accelerate improvements in the PCW market. The single most important contribution would be to help deliver quality as well as price comparison.

API functionality is a critical component for the comparison remedies to work

The key component underpinning the new comparison services is APIs. Consequently, at this early stage in the design process the CMA should focus on ensuring that API functionality is delivered as effectively as possible, as soon as possible, whilst ensuring standards are set up in such a way that they remain fit for purpose in the future, when pricing structures may change.

LBG has concerns over the current governance of API standards. The current governance is not working effectively and is unlikely to deliver quickly enough. As the governance is essentially the same one used for midata in personal current accounts it needs to change. Unlocking the benefits of the CMA's proposed comparison remedies will require the CMA to set out and design new governance arrangements for APIs with clear ownership, deliverables and timelines matching the ambition to deliver midata driven comparison and related services.

APIs can be used to enable delivery of further useful information that allows customers to compare their current account with those available in the market. For example, APIs could be used to enable a traffic light type quality indicator of customer's current account within their internet banking.

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2 For example, the FCA recently undertook a Thematic Review of PCWs, which concluded (amongst other concerns) that PCWs did not always ensure that consumers were given the appropriate information to help them make informed decisions. The FCA also wrote to PCW CEOs to underline concerns and set out a number of issues to be addressed.

There are important unresolved issues relating to what APIs should cover. Fundamentally, the standards should facilitate the transfer of data that will allow robust account comparisons to be made. Based on current pricing structures in the market (that include various cashback offers), this will require fully unredacted transactional data and data on overdraft limits, both of which are key inputs to determining comparison prices.

However, pricing structures evolve quickly, and future charges and rewards may be driven by other factors. To future proof the API standard, it should include data covering every factor that is capable of generating charges and rewards. The CMA should seek to explore with providers exactly how this can be achieved as part of the remedy design phase.

LBG does not understand the ICO's (and other commentators') reluctance to allow data transfer of the nature and granularity required to offer genuine comparison tools and services. There are genuine data security issues, and LBG is sensitive to concerns over the security of customer data. However, these concerns can be addressed by existing legal requirements on aggregators and other data recipients to ensure that the data they hold is secure, is only used for the purpose of comparison, and is then securely destroyed.

The CMA should also consider changes relative to the appropriate baseline: the direct machine to machine transfer of data envisaged through APIs is likely to be more secure than the current approach, which involves customers downloading and uploading files manually.

There are two further issues that the CMA should consider with providers. First, PCWs currently collect product pricing data from published information and/or from data feeds provided by industry. One option would be to include product pricing data as part of the API standard. The CMA should discuss this with PCWs to understand whether the API standard should cover product pricing, and if this would be desirable, necessary and proportionate.

Second there are important non-price factors that determine the value of a product for customers. In principle, and as the CMA itself recognises, both price and quality factors should be included in order to compare different products. The CMA should therefore explore whether the API standard should cover quality data, and if so the types of data that should be included.

Addressing the governance concerns and making progress on what data the API should actually cover would be sufficient to address the CMA's concerns in the PCA market. In this market, there are a range of existing comparison service providers, and new tools and services would quickly emerge, building from the API standard. In conversations with existing comparison service providers, all providers have confirmed to LBG they would quickly build these services. If the CMA is not confident this would happen, a backstop remedy could be appropriate i.e. the CMA could define a backstop date by which the FCA or PSR authorised comparison providers would be appointed.

The same set of next steps will be required to make progress in the SME market. However, LBG is less confident that new products and services would naturally emerge. Hence, LBG initiated the NESTA prize challenge to create additional incentives for SME comparison and other tools to be developed. In combination with the new API standard, LBG is confident this will address the CMA's concerns. Again, if the CMA does not share this confidence, a backstop remedy could be appropriate.

Effectiveness and implementation issues for quickly implementable remedies are discussed in the following sections.

3. REMEDY 3: FACILITATE PRICE COMPARISONS BETWEEN PROVIDERS BY MAKING CUSTOMER-SPECIFIC TRANSACTION DATA MORE EASILY AVAILABLE AND USABLE, INCLUDING BY PCWS

3.1 Remedies 3 and 4 both relate to the development of comparison services. The section below relates to both remedies unless stated otherwise.

Effectiveness

3.2 LBG supports this remedy proposal. midata (customer transaction histories) transferred through APIs creates, for both PCAs and BCAs, the possibility of easy to use, individualised account comparison.

3.3 The scope of the comparison services envisaged by Remedies 3 and 4 could cover all PCA and BCA providers. Smaller SMEs are likely to benefit more from these remedies than larger businesses.

3.4 To appeal to customers, an effective comparison service should be:[3]

(a) **comprehensive**: the service should include information from all PCA providers,[4] and should include quality, scope of service, rewards and other product/provider-specific features;

(b) designed to take into account the differences between products, providers and customers;[5]

(c) **simple and objectively comparable**, using some form of standard metrics and format to rank results objectively and on a transparent basis;

(d) **accurate**: the results should reflect up-to-date information.

Implementation/trialling

3.5 There are two steps to achieving midata driven price comparison: first, is the creation of industry wide API standards and, second, is the creation of PCWs which use this data to compare the price and quality of PCAs and BCAs.

3.6 A set of industry standards could be achieved within 6 months. In order to overcome the existing shortcomings of the current midata programme, these standards would need to comprise compulsory standards applicable to all providers for the secure transmission of unredacted[6] files within a specified timeline.[7] These could be achieved by way of a recommendation to the FCA or PSR.

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[3] As part of the SME Innovation Challenge Prize initiative, NESTA has undertaken extensive research and exploration of the comparison issues in the SME market, involving a very broad range of stakeholders including: SMEs; business groups; larger, smaller, established and newer providers; FinTech companies; comparison service companies; regulators and policy-makers. This research may inform the CMA's remedies development process.

[4] Not limited to those who have agreed commission arrangements with the comparison service provider.

[5] For example, SME-facing comparison services should have built into them the fact that SMEs tend to take into account a broader, more complex, range of factors when comparing current accounts compared the typical PCA consumer.

[6] A major shortcoming of the current midata programme is that redacts a significant amount of personal information from transaction data files. This limits the tool's ability to compare with products might most benefit a customer in terms of cashback features, rewards and other benefits attached to some current accounts. This data is already downloadable by customers in an unredacted format in the shape of customer bank statement and so sharing this data with the customer's consent should not pose data protection concerns.

[7] Whilst PSD2 envisages that the implementation API standards, this does not need to be implemented into UK legislation until Q4 2017 (although HMT is looking to bring this forward, but most likely in the form of a voluntary standard).

3.7 Developing and rolling out "midata 2" will require the support of the industry as a whole. For these reasons, LBG considers that a Challenge Prize methodology, as designed and proposed by NESTA with support from the CMA, will best support implementation in the SME market.

3.8 This model could be achieved by way of an Order and would:

(a) encourage the development of a competitive set of comparison services by multiple comparison providers (to be approved and monitored by the FCA or PSR) that will evolve over time, thus minimising the requirement for future regulatory intervention. For example, the prize fund could comprise a reward system which offers a minimum commission level for every switch initiated by the comparison service over a defined period;

(b) establish independent credentials and inclusive engagement rather than risk being perceived as bank or regulator-led with a single provider; and

(c) raise awareness and commercial sustainability through a high profile public launch and award campaigns.

3.9 Subject to adequate progress being made on APIs, and on the basis that the NESTA Prize challenge will support and deliver progress in the SME market, LBG believes that the new products and services will be developed naturally. The CMA should speak to comparison providers to check this view. If the CMA remains unconvinced, the CMA could define a backstop date by which the FCA or PSR authorised comparison providers would be appointed. Once in operation, there could be regular reviews of the operation of the comparison services envisaged, and there should be sufficient flexibility within the final design of the remedies to facilitate minor variations to the operation of the remedies in light of these reviews. This could be done by the FCA or PSR, for example.

4. REMEDY 4: A PCW FOR SMES

4.1 This section sets out some further considerations relating specifically to Remedy 4, in addition to those already covered above.

Effectiveness

4.2 LBG supports this remedy.

Building on the proposals described in Remedy 3, midata driven PCWs for SMEs could have the ability to compare not just BCA price and quality features, but also related product comparisons such as loans (see remedy 15), all of which will be of value to business customers. Comparison for larger SMEs with bespoke and complex needs may not be appropriate for such sites.

Implementation/trialling

4.3 The NESTA prize fund initiative expects outputs from its SME comparison prize challenge to be launched in the next 12-18 months. In terms of a delivery timetable and implementation considerations LBG recommends CMA approach NESTA for further detail.

4.4 In relation to tariffs and prices:

(a) the comparison service should apply to standard tariffs/pricing, with a message informing customers that certain providers may provide bespoke pricing upon application to the provider. It would not be possible to accurately present bespoke prices on the comparison service; and

(b) appropriately designed common presentation of charges, benefits and terms would help ease comparisons, with care being taken to ensure that they do not distort competition or conflict with existing regulations on presentation of terms and conditions.

5. REMEDY 5: ENABLE CONSUMERS AND SMES TO MAKE COMPARISONS BETWEEN CURRENT ACCOUNT PROVIDERS ON THE BASIS OF THEIR SERVICE QUALITY

Effectiveness

5.1 Service quality needs to be part of the comparison for customers to make good decisions. LBG agrees that price alone does not make for good comparisons and this remedy is needed to complement price comparisons described in remedies 3 and 4.

5.2 PCA and BCA customers cannot currently make detailed comparisons in terms of both price and service quality between providers in one place.[8] To do this they need industry wide agreed quality metrics which can be combined with the kind of PCWs described above.

Implementation/trialling

5.3 The same principles in relation to implementation, timing, monitoring, review and regulation of midata-based comparison services set out in relation to Remedies 3 and 4 are applicable to the design of this remedy, including the use of a Challenge Prize approach to encourage the development of enhanced midata-based competing quality comparison providers.

5.4 In relation to determining the most appropriate and easily understood quality metrics, it is important to bear in mind that service quality is a complex multi-faceted measure and that the use of averages across providers and across brands (such as the data used by Which?) is inappropriate.[9] Appropriate metrics could be determined by various lab trials (as the remedy develops) to explore customer behaviour when faced with different versions of customised metrics. The Business Banking Insight website and Charterhouse data might also play a role in this regard in relation to SME banking services.[10]

5.5 Whatever measure is used, it needs to be applied on a consistent basis across providers using robust data and taking into account factors such as:

(a) whether the customer is an individual or an SME;

(b) if an SME, the size of SME, given their different needs and preferences;[11]

(c) whether the customer uses digital banking; and

(d) whether the customer is a heavy overdraft user.

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8 LBG notes the existence of the Business Banking Insight website and, whilst it considers it a valuable source of information for SMEs, LBG acknowledges that it has certain limitations when it comes to making like-for-like detailed comparisons, at least at this stage of its development. The CMA should keep the BBI website under review as it is currently undergoing a period of review, which also includes plans to enhance provider profiles and usability.

9 See LBG's response to the Remedies Notice of 20 November 2015.

10 Whilst existing sample sizes in Charterhouse for some of the smaller banks are inevitably smaller than those for larger banks, and whilst they are deemed to be adequate for current purposes by the participating banks, any significant change in the way in which these results are utilised, for example for publicly available comparison purposes, would need to be rendered more robust by larger sample sizes, as this would reduce the margin of error that might otherwise exist.

11 This is because, for example, larger SMEs business are more likely to use dedicated relationship managers whereas small SMEs use a multichannel proposition (a digital and telephone RM as required) and are more likely to have negotiated terms than smaller SMEs.

5.6 In terms of scope of application, smaller SMEs are more likely to benefit from this remedy than larger ones.[12] This suggests that remedies directed at the SME market should focus on smaller businesses.

6. REMEDY 6: STANDARDISE AND SIMPLIFY BCA OPENING PROCEDURES

Effectiveness

6.1 LBG supports making BCA opening procedures more efficient and easier for customers. This remedy will complement initiatives such as BDI[13], one aim of which is to allow easier demonstration of SME AML and KYC credentials by one business to another from a central repository. Similarly, adopting midata 2 type approaches may make account opening speedier and easier for businesses.

6.2 Appropriately designed, this remedy will increase the ease and speed of BCA account opening, whilst maintaining AML and KYC standards and allowing rival providers to compete on different aspects of their offer.

Implementation

6.3 Collaboration and consultation is the first step in determining account opening standards such as AML and KYC information provided by SMEs. For example:

(a) the FCA operates a risk based approach to KYC. Providers therefore have different requirements depending on their customer portfolio as to the information they request for KYC purposes. The FCA can facilitate on core common information that needs to be collected without blunting the scope for competition; and

(b) providers have different account opening procedures, reflecting their business models, IT systems, customer bases and risk appetites. Again, subject to FCA supervision and support, providers may need to collaborate to resolve differences in approach where necessary.

8. REMEDY 8: REQUIRE PAYMENTS INTO THE OLD ACCOUNT TO BE REDIRECTED TO THE NEW ONE FOR A LONGER PERIOD THAN AT PRESENT

Effectiveness

8.1 LBG supports increasing customer confidence in the reliability of the switching process.[14] The Payment Council's research (described in the FCA's Report on the effectiveness of CASS) identifies consumers' biggest fear when switching as being "*something going wrong*".[15] Redirection could therefore address this concern by operating as an insurance policy in case something does go wrong. A complementary action would be to explore with Bacs how direct debit originators might expedite changing direct debit details more rapidly.

8.2 Longer or indefinite redirection will also render a centralised version of Account Number Portability (ANP) redundant.

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12 As previously described, larger SME businesses tend to have more complex needs, and are more likely to have dedicated advisors or internal experts. They are more likely to negotiate bespoke offers, and tend to make sophisticated decisions around their banking needs.

13 BDI is a joint venture between several leading UK banks and third parties such as Oliver Wyman, Experian, KPMG and AgFe. It is a data storing, routing and tagging initiative that enables businesses to share their private, commercial data with other counterparties.

14 CMA Notice of possible remedies, para. 99.

15 FCA: Making current account switching easier, March 2015, para. 1.12.

Implementation

8.3 In accordance with the recommendations in the FCA's Report on the effectiveness of CASS, Bacs has already established a working group to assess the technical feasibility of an unlimited extension of the redirection period, including an assessment of potential negative impacts.[16] The CMA should consult with Bacs on its findings in considering the best way of implementing extended redirection.

8.4 The FCA has previously identified practical challenges to extended redirection,[17] including mapping multiple redirections and an inability to reissue an account number until all redirection had ceased. LBG does not consider these problems to be insurmountable, and the CMA should explore this further with the FCA.

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

Effectiveness

9.1 LBG support providing access to transaction histories as they are an important asset to customers, whomever they bank with.

9.2 However, rather than retaining data, LBG would propose porting transaction histories as part of the CASS switching process. A new provider will be in a better position to curate the transaction history and also, having the prime relationship with the customer, be best placed to guard against the potential risks of identity theft and other fraud which the retention model presents.

Implementation

9.3 Consultation and collaboration will be required to establish uniformity of data retention standards, length of history and transfer protocols (if transfer is agreed as the way forward). Bacs/CASS will play a key role in project management and implementation.

9.4 It would be necessary to include all providers within the scope of the remedy, to prevent competitive distortions and, importantly, confusion amongst customers.

10. REMEDY 10: REQUIRE BACS TO TRANSFER CONTINUOUS PAYMENT AUTHORITIES ON DEBIT CARDS WHEN SWITCHING THROUGH CASS

Effectiveness

10.1 LBG believes that adding the transfer of continuous payment authorities (CPAs) will be a positive enhancement to the CASS service and customer experience. LBG supports this remedy. In particular, LBG customers have 1.5 million incorrect card details on their accounts, resulting in confusion, payment errors and customer annoyance. This remedy would help to address this.

Implementation

10.2 Implementation will require the engagement of the card schemes (such as Visa and MasterCard) as well as merchants. It is not something which the banks and Bacs can deliver alone, as they do not possess the relevant information to make a redirection.

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[16] FCA: Making current account switching easier, March 2015, para. 9.14.

[17] FCA: Making current account switching easier, March 2015, para. 8.26.

10.3 Bacs is not involved in processing continuous payment authorities, and LBG, as card issuer, does not have the information regarding the arrangements between the customer and a merchant or payment service provider that is necessary to implement a switch. The CMA will therefore need to engage with the appropriate bodies.

12. REMEDY 12: CHANGES TO CASS GOVERNANCE

Effectiveness

12.1 As highlighted in its Remedies Response,[18] LBG recognises that, while the CASS Management Committee has been effective in developing and establishing the redirection service and that CASS is operating well (as acknowledged by the FCA[19]), changes to its management structure are likely to be required to deliver effectively the enhancements to the CASS service envisaged by the CMA's proposed remedies. LBG would welcome these changes.

12.2 LBG is keen to work with the CMA to specify the details of new Governance arrangements. Questions to consider might include:

(a) Membership. Who should be on the board, and how should votes be apportioned? A more independent board may be better placed to represent and reflect the interests of other groups in addition to account providers, such as business and consumer groups, as well as bring a broader set of skills (in particular, marketing skills) to the board.

(b) Targets. What targets should management be set? For example, to drive greater volumes of switching, service quality and reliability, and customer awareness of and confidence in CASS. What other targets related to this suite of remedy proposals should be included?

(c) Incentives. Having decided on targets, what incentives should management be given to achieve them?

(d) Regulator rights. Should regulators be given step in rights if targets are not appropriate, or if they are not met? These rights would strengthen the board's incentives to set appropriate targets and deliver against these targets.

Implementation

12.3 CASS is already subject to oversight from the CMA, the FCA and the Payment Systems Regulator (see the FCA's recent Report of the effectiveness of CASS[20]). However, it may be preferable if CASS were principally accountable to a single regulator. LBG considers that the FCA is best-placed to maintain regulatory oversight of CASS.

13. REMEDY 13: DATA SHARING WITH CREDIT REFERENCE AGENCIES

Effectiveness

13.1 LBG agrees in principle with this remedy. The SBEE Act includes provisions in relation to the sharing of SME information with CRAs. Therefore, it will be necessary to ensure that this remedy aligns with the SBEE Act.

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18 Response to the CMA's "Notice of possible remedies", 20 November 2015.

19 The FCA reported that "CASS is operating well", FCA: Making current account switching easier, The effectiveness of the Current Account Switch Service (CASS) and evidence on account number portability, March 2015, para. 1.6.

20 FCA: Making current account switching easier, The effectiveness of the Current Account Switch Service (CASS) and evidence on account number portability, March 2015.

13.2 Paragraph 154 of the Remedies Notice seems to suggest that the CMA is proposing that the scope of the data sharing products and Key Performance Indicators set out in the SBEE Act is extended to include "*transactional data*" to the CRAs. The key issues for consideration here are, therefore, largely practical ones:

(a) to ensure that this remedy complements the requirements of the SBEE Act. Before considering whether to extend the data sharing proposals to include transaction level data, the effectiveness and impact of the existing proposals set out in the SBEE Act should be assessed (e.g. during 2016 after rollout), and the scope of the data provided reviewed in light of the feedback from lenders using it in practice;

(b) overcoming privacy and security issues (i.e. it is important to consider whether approval must be obtained from SMEs before the information can be shared); and

(c) that customer data should only be used for assessing applications, and not for general marketing purposes.

13.3 The potential overlap of this remedy with Remedy 4 also needs to be considered.

Implementation

13.4 The CMA may also wish to consider whether there are any viable alternatives, such as:

(a) creating a central repository/BDI system which would allow SME data to be uploaded, and any provider would be able to draw down and undertake their own bespoke analysis as described in remedy 6 above;[21] or

(b) APIs, which would enable the direct transfer of transactional data between an SME and an individual provider without the use of a third party.

14. REMEDY 14: COMMERCIAL OPEN DATA AND DATA SHARING PROPOSALS

Effectiveness

14.1 LBG agrees with this remedy. It should be noted that an equivalent of this remedy is already under development in the form of the Business Data Initiative (BDI), in which LBG is already participating (alongside Santander, Barclays, HSBC and RBS). The aim of the BDI project is to create an 'SME Data Passport', which LBG considers to be an important initiative and will, for example, support remedy 6.

14.2 The BDI initiative could be adopted by the CMA, if considered appropriate. If the CMA is suggesting extending the BDI project to SME lending, then this is another obvious use for the data sharing proposals, which could be effective.

14.3 The remedy should extend to all providers. If certain providers are allowed to "opt out" of the remedy, this may affect the overall effectiveness of the remedy (as it may not reduce the search costs for SMEs when comparing different lenders).

Implementation

14.4 Minimum standards covering the data to be included should be agreed between providers and SME representatives in order to agree a core common set of questions.

14.5 Consideration should be given as to how best to encourage SMEs to share confidential data with providers (e.g. business plans and forecasts) should also be considered. SMEs may be reluctant to share certain types of confidential information with their provider,

[21] The Business Data Initiative (BDI) is aimed at creating the so-called 'SME Data Passport'. LBG is already participating in this project alongside Santander, Barclays, HSBC and RBS.

particularly if it is to be disclosed more widely amongst other providers. The views of SMEs should therefore be sought as to how much information they would be prepared to share.

14.6 It is important that the information requested is sufficiently broad to capture the different parameters on which banks base their SME lending decisions. This will require consultation with the various providers. It would also be important to consider the cost of having to adapt IT systems to cater for different types of data (and in different formats).[22]

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[22] Paragraph 157 of the Remedies Notice states that "*the data concerned could include not just the SMEs transaction or credit history but extend to other relevant data, for example business plans and forecasts*".

PART B – REMEDIES THAT REQUIRE TRIALLING

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

Effectiveness

1.1 LBG is supportive of this remedy as an effective means of increasing PCA and BCA customer awareness in order to facilitate further switching.

1.2 The remedy should apply to all customers of all BCA and PCA providers within the CMA's terms of reference, subject to a proportionality assessment in relation to customer groups which are less likely to benefit (e.g. dormant or inactive accounts, and larger SMEs).[23] It may be inappropriate for it to apply to customers under 18 years old.

1.3 LBG considers there are customer benefits to be had from additional prompts that promote not just switching to new providers, but changing behaviour and/or account type with existing providers. Overdraft text alerts and improved annual statements might fall into this category.

Implementation/trialling

1.4 Trailing and testing is critical to the design of this remedy because:

(a) PCA and BCA customers are not homogenous, which means that prompts will need to be tailored to categories of customers with common characteristics. In particular, different customer groups will react differently to each of the trigger points (e.g. loss of service, disputes, change in T&Cs). It should not be assumed that all customers will react in the same way. Relevant customer groupings are best identified through trials; and

(b) the effectiveness of each prompt will depend on the nature of the prompt (e.g. content, source, medium and timing) and the customers to whom it is directed, again best assessed through trials. At this point LBG sets out a number of preliminary observations in relation to effectiveness.

1.5 For example, such trialling would help to inform the timing, content, source and medium of delivery and may need to take account of:

(a) whether the customer is an individual or an SME (and the size of the SME);

(b) whether the customer uses digital banking;

(c) whether the customer is a heavy overdraft user;

(d) the nature of the trigger (e.g. a prompt to an individual in relation to the closure of their local branch may need to be different from a prompt to an SME at the expiry of its free banking period);

(e) whether the customer has had a prompt arising from a trigger in the recent past (repeated reminders will either irritate customers, may limit their impact or create customer confusion); and

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23 As previously described, larger SME businesses tend to have more complex needs, and are more likely to have dedicated advisors or internal experts. They are more likely to negotiate bespoke offers, and tend to make sophisticated decisions around their banking needs.

(f) the incremental cost-benefit of periodic reminders.[24]

1.6 As explained in further detail in LBG's submission of 20 November,[25] LBG's recent trialling experience provides a number of important practical implications for the CMA's own planned trials, and LBG has provided the CMA with a comprehensive set of insights from this work.[26] Of particular note:

(a) the emergence of context-specific push messages may have greater impact than traditional text messages, emails or letters;

(b) LBG tested several tools to help PCA and BCA customers manage their accounts better. LBG would urge the CMA to add this type of prompt to Remedy 1;

(c) LBG's trials found that the particular complaint response letter inserts LBG trialled to prompt switching by the most dissatisfied customers were not effective and alternative variants and channels need to be explored;

(d) averages can hide behaviour, and within larger samples, targeted sub-segments can be identified, which will lead to improved response rates; and

(e) in relation to trials to test overdraft text alerts, the customers that *opted out* tended to be heavier overdraft users in relation to both PCAs and BCAs.

1.7 On a practical level, the remedy should be crafted to ensure that it does not lead to:

(a) customers receiving excessive numbers of prompts;

(b) interference with anti-fraud measures;[27]

(c) providers being required to draw attention to a specific competing provider or product[28] (the remedy should guide the customer to appropriate tools to access, assess and act[29]).

1.8 There are a number of ICO concerns, which, as set out above, should be addressed. There are no other material regulatory impediments to this remedy that cannot be overcome. However, this will need to be considered further as the remedy takes a more definitive shape.[30]

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24 In this regard, LBG notes that providers already provide periodic reminders to PCA and BCA customers in the form of annual overdraft facility letters and annual charges statements. If the CMA were minded to pursue periodic reminders, it should trial whether these would be effective formats in which to include them, as well trialling what message to send, including the effectiveness of Tesco's traffic light proposal, for example.

25 LBG's submission of 20 November 2015, Part C: Response to Remedies Notice, paragraphs 3.8-3.9.

26 Email from Steve Smith, Monday 16 November 2015.

27 For example, measures would need to be put in place to ensure that a customer can easily confirm that a prompt message received from a provider is authentic, and that the system does not lead to an opportunity for fraudulent activity on behalf of third parties.

28 See LBG's response to the CMA's remedy-specific question (e) in Section 2.

29 Such tools include PCWs, CASS, the provider's website and the other sources of information/portals contemplated in the Remedies Notice.

30 In this regard, LBG would suggest that the CMA works with the ICO to address any data protection concerns that might prevent providers automatically opting in many customers to received prompts.

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

Effectiveness

2.1 There are two elements to this remedy, both of which are in principle effective means of increasing PCA and BCA customer awareness in order to facilitate further switching:

(a) improving awareness and confidence in CASS and the ability to switch, provided that this is accompanied by an effective, trialled and targeted marketing campaign implemented by the FCA or PSR; and

(b) improving awareness of the potential savings and/or rewards from switching, provided that a robust approach to calculating savings and rewards is adopted.

Implementation/trialling

Improving awareness and confidence in CASS and the ability to switch

2.2 In order to enhance effectiveness this remedy should include the following features:

(a) based on experience of how CASS is currently governed, control over the delivery of this remedy should be given to the FCA or the PSR, as outlined in LBG's Response to the Remedies Notice;[31]

(b) all promotional initiatives should be developed in a more targeted and effective way than CASS' current marketing activity and should be, informed by third party marketing expertise. This should include the use of regional trials to determine the most effective campaign strategies designed to meet the requirements of different customer groups.[32] For example, different awareness campaigns and messages may be required for individuals and SMEs and between SMEs;[33]

(c) the CMA should identify clear objectives and realistic targets for public awareness and confidence, and the maximum annual contribution required from the industry to achieve this.[34] As time is required to build awareness and confidence in the brand, the CMA will have to allow sufficient time for this remedy to take full effect; and

(d) the remedy should be supported by the use of CASS switcher prize funds to build awareness, confidence and engagement.

Improving awareness of the potential savings and/or rewards from switching

2.3 Any potential financial benefits must be properly calculated, expressed and disseminated, to avoid misleading customers or damaging customer trust. Simply providing customers

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31 See LBG's response to the Remedies Notice of 20 November 2015, paragraph 15.(b).

32 Some lab research and some qualitative survey research might feasibly be completed in advance of May 2016 so as to provide hypotheses for future improvements.

33 For example, not all SMEs may want or be able to switch within seven days due to the scale and complexity of their businesses and cash flows. This concern is also relevant to the application of CASS to larger SMEs in general.

34 The current measures used for evaluating customer awareness of CASS (ie. measured through survey data) could also be used to determine the awareness of the potential savings that could be made from switching. LBG would propose that a measure of customer awareness is also set in relation to customers' awareness of the ability to find out about their potential savings from switching current accounts (through use of the enhanced midata 2-based comparison services outlined and proposed in Remedies 3-5).

with a generic financial figure in relation to how much they could gain from switching is likely to be misleading.[35]

2.4 The enhanced midata 2 initiative would increase awareness of potential savings and/or rewards from switching. These could be developed to help generate tailored/bespoke communications to customers in relation to their potential savings from switching.

2.5 There should be regular reviews of the operation of the remedy in practice, together with sufficient flexibility for the FCA or PSR to make minor variations to the detail of the remedy in light of these reviews.

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

Effectiveness

7.1 LBG supports the idea of an online tool to help potential customers assess whether they would be likely to be granted an overdraft facility on switching.

7.2 Smaller SMEs are more likely to benefit from this remedy than larger ones.[36] As outlined above, this suggests that the CMA remedies directed at the SME market should focus on smaller businesses.

7.3 To maximise customer take up, use of an overdraft eligibility checker should not affect a customer's credit score.

Implementation/trialling

7.4 Trialling and testing will be essential to inform the specific design of this remedy, in particular, in relation to different digital channels (i.e. desktop computer, mobile and tablet) and different variants of overdraft eligibility checkers. This is evidenced by the trial results of an early version of LBG's online and mobile app overdraft eligibility checker which found, amongst other things, that[37] there are different success rates through different channels (with the mobile channel being the least effective in terms of switching rates).

7.5 Once the final design of the overdraft eligibility checker is determined, minimum standard requirements in relation to its design and features (overseen and implemented by the CMA and or FCA) should be rolled-out. The impact checker, and its features, should then be subject to regular review and refinement in order allow for variations to the tool following consultation with relevant parties.

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

Effectiveness

11.1 LBG support customers being able to *"try before you buy",* without committing to a full switch. LBG currently offers a form of partial switching.

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35 See LBG's response to the Provisional Findings of 20 November 2015 for further detail.

36 As previously described, larger SME businesses tend to have more complex needs, and are more likely to have dedicated advisors or internal experts. They are more likely to negotiate bespoke offers, and tend to make sophisticated decisions around their banking needs.

37 See LBG's behavioural trials summary report, provided to the CMA on 16 November 2015.

11.2 However, the partial switch envisioned under the current proposal may not be the ideal way to achieve a pre-purchase experience for customers. There are customer risks associated with payments in and out being split between two accounts where customers incur fees and charges. From a provider perspective such a partial switch presents conduct risk and cost to properly explain to customers the potential dangers.

11.3 There may be a simpler way to achieve *"try before you buy",* by marketing a "delayed switch". Here, customers can set a future date when they will have all of their collateral for the new account, and importantly will have access to the full range of facilities associated with the new account, including online/mobile access etc. Having tried before they buy, customers can confirm their decisions to switch or not at the delayed date. Other variants might include the ability to switch, but, if the customer does not like the new provider, return to a fully functioning old account within a defined period. These options can be tested relatively quickly to see if they have a significant impact relative to other partial switch options.

Implementation

11.4 LBG would like to develop and trial this alternative "delayed switch" proposal to better understand its behavioural impact and customer acceptability. This could be compared to other partial switch variants.

15. REMEDY 15: REQUIRE BANKS TO PROVIDE A LOANS PRICE AND ELIGIBILITY INDICATOR

Effectiveness

15.1 When considered alongside the other remedies, LBG believes that this remedy will be effective in remedying the AECs identified in the Provisional Findings, provided the remedy is appropriately designed following trialling and testing.

15.2 There may be overlap with Remedy 4, which proposes a PCW for SMEs. Both remedies have the same objective of making it easier for SME customers to compare the cost of banking services, including loans.

15.3 The effectiveness of the remedy could be enhanced if:

(a) all banks/providers are required to sign up to it (so that SMEs can make comparisons across all providers);

(b) it excludes bespoke pricing products (which are not comparable across providers);

(c) the tool includes the functionality to do soft credit searches; and

(d) the information requested is in a standardised format so that SMEs can easily input the data on different providers' websites (and therefore reduce search costs).

15.4 The tool is probably best aimed at the smaller end of the SME market where needs are less complex and tailored solutions not required. Additionally, any credit searches associated with the loan tool should be soft and not affect customers credit score.

Implementation/trialling

15.5 The format of the tool (e.g. in terms of the questions to be asked, level of detail required, and the layout) will have a bearing on the customer experience. The remedy would therefore benefit from trialling and testing so as to get the format and customer experience right.

15.6 LBG has recently trialled an overdraft checker on its website, which is similar in design to this proposal (and also aimed at changing customer behaviour). The version of the tool as trialled didn't have the desired impact. LBG has ideas on how to improve the impact for future trials.

15.7 Designing an online tool that balances the optimal level of detail required for loan providers to give a reliable indication of whether they will be prepared to lend (and on what terms) is a key factor in assessing this remedy:

(a) requesting too much information from SMEs may deter SMEs from using the online tool in the first place (as it will be time-consuming to use), but it may mean that lenders are able to provide a more definitive view at the indicative offer stage; but

(b) requesting too little detail from SMEs may encourage more SMEs to use the online tool (initially at least), but it may mean that lenders are unable to provide a reliable indication as to whether they would be prepared to lend, which would require more detailed assessment (and therefore may deter SMEs from using the service).

15.8 In order to work effectively, any system would need some controls in order to prevent a bank habitually quoting low rates that are subsequently revised up, or the loan subsequently declined, after further assessment.

SECTION 2: LBG's responses to the remedy-specific questions set out in the Remedies Notice

Remedy 1 - Prompt customers to review their PCA or BCA provider at times when they may have a higher propensity to consider a change		
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?**	Yes. See LBG's response to Remedy 1 in Section 1.
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?**	The CMA should investigate the incremental cost-benefit of periodic reminders relative to the trigger points approach. For example, LBG trials showed that with an appropriate call to action, certain target groups are responsive to revised annual statements and will change behaviour to their advantage. Providers already provide periodic reminders to PCA and BCA customers in the form of annual overdraft facility letters and annual charges statements. The CMA could trial whether these would be effective formats in which to include them, as well trialling what message to send.
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?**	These occasions and situations are likely to be some of those points at which BCA and PCA customers are likely to be receptive to messages prompting them to consider reviewing their banking arrangements. Trials and tests are required to identify the most effective trigger points, including those that are not included in the list.
d)	**Are there any other trigger points at which customers would be especially disposed to consider changing their current account provider?**	Trialling and testing is required to answer this question.
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)?**	Prompts should, where practicable, guide the customer to appropriate tools to access, assess and act. Such tools include comparison services, CASS, the provider's website and the other sources of information/portals contemplated in the Remedies Notice. Prompts which draw attention to a specific competing provider or product are

Remedy 1 - Prompt customers to review their PCA or BCA provider at times when they may have a higher propensity to consider a change		
		impractical and ineffective because: • the purpose of the remedy is to prompt customers to access, assess and act. The customer's incentive to engage in this manner could be undermined if a specific product were identified; • a provider is unable to identify the best competing product for a customer because: ○ the best product involves a forward-looking assessment by the customer, based on information that may not be known to the provider; ○ providers continually change and improve their PCA and BCA propositions. This means that there is a real risk that the details that are used in identifying specific product or provider can be out of date and lead to inaccurate and inappropriate recommendations; ○ the value of certain products to a customer can only be assessed following a detailed sales/selection process (e.g. packaged PCAs); ○ PCA and BCA products have eligibility criteria, some of which are not publically available (e.g. credit scoring requirements). A provider cannot know if a customer would be eligible for a specific competing product; ○ the best product for a customer may depend on their overall financial situation, which may not be known to the existing provider; ○ customers have different preferences for price and non-price factors (e.g. the specifications of a provider's digital banking offering may be particularly important to some customers, whereas others may be more interested in account-linked

Remedy 1 - Prompt customers to review their PCA or BCA provider at times when they may have a higher propensity to consider a change		
		rewards). Customers are therefore best placed to decide on the best product for them, using appropriate tools; and ○ pricing of some products can be negotiated (e.g. BCA fees); and • given the inability of a provider to identify the best competing product for a customer and the one-way nature of the proposed prompts, drawing attention to competing providers/products might breach regulations on financial conduct (particularly the provision of financial advice).
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?**	LBG's own trials and most behavioural research in general suggests that very small differences in the events or the customers' circumstances can lead to radically different customer responses. This is why trials and tests should be used to establish the types and combinations that are likely to be most effective.
g)	**Who should determine when a 'serious or widespread loss of service' had taken place?**	LBG is not clear that there is sufficient evidence to suggest that a one-off 'serious or widespread loss of service' is a relevant push factor for a sufficient proportion of customers. In any event, it would be difficult to specify a 'serious or widespread loss of service'. For example, a 'serious or widespread loss of service' in relation to Link, or Bacs could lead to a requirement to prompt all PCA and BCA customers in the UK, which would be potentially confusing to customers.
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?**	There should be a standard framework that allows for continuous experimentation of the content and presentation of the messages. The development of this framework should be led by a regulator.
i)	**Alternatively, would it be practicable and proportionate to require providers to facilitate access to relevant customers by the regulator(s),**	The provider should send all prompts envisaged by this remedy. Involving third parties in this process raises significant risks in relation to:

Remedy 1 - Prompt customers to review their PCA or BCA provider at times when they may have a higher propensity to consider a change		
	intermediaries or others?	• undermining anti-fraud initiatives (as customers do not expect to be contacted by third parties in relation to their PCA/BCA); • unsolicited marketing (as a consumer detriment in itself); • data protection and security; and • customer confusion (e.g. if a customer were to receive conflicting messages from different intermediaries).
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 with the 2002 SME Undertakings, LBG considers that providers' internal audit function could be responsible for monitoring compliance, with annual reporting to either the CMA or the FCA. This could be supplemented by additional spot-checking by the same regulator.
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?)**	LBG does not believe, at this stage, that there are material impediments to this remedy that cannot be overcome.

Additional questions of 6 November 2015

In the Notice of Possible Remedies the CMA set out a number of possible measures to prompt customers to consider switching their current accounts at what we referred to as 'trigger points'. In their discussion of Remedy 1 the CMA has listed a number of potential trigger points:

(a) **A serious or widespread loss of service[38] to a provider's PCA or BCA customers arising, for example, from an IT breakdown.**

(b) **A dispute between a provider and an individual PCA or BCA customer.**

(c) **A change in the bank's terms and conditions pertaining to a BCA or PCA product used by the customer.**

(d) **A PCA customer's transition from a young person's or student account to an adult account.**

(e) **Closure of a PCA or BCA customer's branch.**

(f) **The actual or imminent imposition of overdraft charges (arranged or unarranged).**

(g) **The opening of a BCA for the first time.**

(h) **The expiry of an SME customer's free banking period.**

PCAs

1. For each of the trigger points proposed under remedy 1 (see (a), (b), (c), (d), (e) and (f)) please confirm whether you routinely contact your customers at these points, and if so, please provide:

(a) **the number of customers who are typically contacted (to provide an indication of the scale of each trigger point's occurrence);**

(b) **the timing of each communication: at which point each in relation to the trigger it is sent and whether the communication is sent once or on multiple occasions;**

[38] The CMA deems a serious loss of service to be an event where a customer experiences financial loss, material distress or material inconvenience due to the failure of their bank to provide the products and services as stated in the contract between the customer and the bank (eg the failure to process a payment or an incoming receipt, or the incorrect posting of a payment or incoming receipt).

(c) **the medium of communication and whether this differs for different customers. Please provide examples of the different mediums used; and**

(d) **the content included. Please provide examples of the communications used across different mediums and for different customers.**

Illustrative example communications for these trigger points were provided to the CMA on 13 November 2015 in response to (d). LBG outlines below its response to questions (a)-(c) in relation to each of these communications.

PCA			
13 November Annexure No.	**Trigger**	**Description of documents annexed**	**LBG comment in relation to questions Q1(a)-(b)**
N/A	(a)	No such communications made by LBG to its PCA customers.	N/A
Annex 1.1	(b)	(a) Letter detailing communications in response to complaints.	LBG has provided illustrative examples at Annex 1.1. However, as outlined in LBG's response to Remedy 1 in Section 1, LBG's recent trials found that a trialled insert into LBG's letters concerning customer complaints as a way to prompt switching by the most dissatisfied customers was not effective. Alternative variants and channels need to be explored. The CMA may therefore wish to refer to LBG's trials report of 16 November 2015 in this regard.
Annex 1.2	(c)	(a) Halifax communications to PCA, Cash and URCA Account customers of changes to their terms and condition. (b) Halifax brochure: bank account terms and conditions for PCA and URCA from 22 November 2015. (c) Halifax brochure: current accounts - bank account terms and conditions for PCAs and BBAs from 22 November 2015. (d) Lloyds communications to PCA, Cash and Savings Account customers of changes to their terms and conditions. (e) Lloyds brochure: banking terms and conditions for PCAs, savings and BBAs from 22 November 2015. (f) BoS communications to BoS Front Book and Back Book customers of changes to their terms and condition.	These communications generally take the form of letters and are sent a couple of months before the changes take effect. In 2015 changes to LBG's PCA terms and conditions resulted in resulted in [✂] mailings.

PCA			
13 November Annexure No.	**Trigger**	**Description of documents annexed**	**LBG comment in relation to questions Q1(a)-(b)**
		(g) BoS brochure: bank account conditions from 22 November 2015. (h) BoS brochure: bank account terms and conditions about URCA from 22 November 2015. (i) BoS brochure: bank account terms and conditions for PCAs from 22 November 2015.	
Annex 1.3	(d)	(a) Communications from Lloyds and BoS in relation to a PCA customer's transition from a student account to a graduate account and a graduate account to a classic account. (b) Communication from Halifax and BoS in relation to a PCA customer's transition from a youth account to an adult account.	These communications generally take the form of letters which are typically sent a couple of months before the customer has reached a certain age, or has finished their studies, respectively. In 2015 such LBG sent out over [✂] such communications across the group. These included: • Student to graduate: Lloyds and BoS, [✂] • Graduate to Classic: Lloyds and BoS, [✂] • Youth migration mailings: [✂]
Annex 1.4	(e)	(a) Communications from Lloyds and BoS in relation to the closure of a PCA branch. (b) Executive pack of communication from Lloyds and BoS in relation to the closure of a PCA branch.	These communications generally take the form of letters and are generally sent out 2 months before the branch is closed. In 2015 potential branch closure related communications were of the order of [✂].
Annex 1.5	(f)	(a) Excel spreadsheet of letters sent to PCA customers relating to the actual or imminent imposition of overdraft charges (arranged or unarranged).	These communications generally take the form of letters. These communications are sent before the imposition of overdraft charges on the actual day the customer's account is overdrawn or after the customer's account is overdrawn. LBG sends around [✂] mailings a year to customers either overdrawn or with low balances.

BCA			
13 November Annexure No.	**Trigger**	**Description of documents annexed**	**LBG comment in relation to questions Q1(a)-(d)**
N/A	(a)	No such communications made by LBG to its BCA customers.	N/A
Annex 2.1	(b)	(a) Letter acknowledging complaint. (b) Letter acknowledging complaint 4 weeks' after the customer's complaint was lodged. (c) Letter acknowledging complaint 8 weeks' after the customers' complaint was lodged.	These communications take the form of letters, which are generally communicated upon receiving the complaint, 4 weeks after and then 8 weeks after that. LBG has been unable to source this figure in the time available given that there are a number of channels through which BCA complaints are received (eg, in branch, through RMs, via telephone). In this regard, LBG's monitoring and reporting of complaints focusses on acknowledgement, resolution and root cause analysis, closure or escalation and formal FCA reporting, rather than the specific method of communication through with such complaints are managed.
Annex 2.2	(c)	(a) Letter from BoS in relation to changes to the BCA customer's Business Banking Extra tariff. (b) Letter from BoS in relation to changes to the BCA customer's Commercial Banking current account tariffs. (c) Letter from Lloyds in relation to changes to the BCA customer's Business Banking Extra tariff. (d) Letter from Lloyds in relation to changes to the BCA customer's Commercial Banking current account tariffs.	These communications take the form of letters, which are generally communicated a couple of months before the changes take effect. The number of LBG tariff changes varies from year to year and LBG has been unable to source this figure in the time available. However, by way of an example, in Q1 2015 LBG sent letters to [✂] customers in relation to one particular tariff change.
Annex 2.3	(e)	(a) Letter from Lloyds in relation to closure of the BCA customer's branch. (b) Letter from BoS in relation to closure of the BCA customer's branch.	See the response in relation to PCAs above, which would also cover BCA customers.

BCA			
13 November Annexure No.	**Trigger**	**Description of documents annexed**	**LBG comment in relation to questions Q1(a)-(d)**
Annex 2.4	(f)	(a) Text to be used in a letter to BCA customers if their account status is "Account Excess" to notify the customer that they are overlimit/overdrawn and that a Unauthorised Borrowing Fee may be incurred. (b) Text to be used in an auto approved overdraft renewal letter to be sent to BCA customers. (c) A RBB customer BCA charges Invoice.	These communications generally take the form of letters. In the case of letters which notify the customer that they are overlimit/overdrawn and that an Unauthorised Borrowing Fee may be incurred, these are sent after the account is overdrawn/over the limit. In the case of letters notifying customers that an overdraft has been automatically approved, this is sent ahead of their existing overdraft reaching its expiry date. [✂] accounts received at least one such communication in 2014.
Annex 2.5	(g)	(a) Lloyds welcome letter template. (b) Lloyds Clubs, Charities and Societies welcome letter template. (c) BoS welcome letter template. (d) BoS Clubs, Charities and Societies welcome letter template. (e) Lloyds BCA welcome pack including: (i) document explaining joint and several liability (as at October 2015); (ii) document called "Vision: your guide to getting started"; (iii) document explaining account charges (as at October 2015); (iv) document called "Need to Know: your account is up and running"; and (v) document explaining payment transaction.	The communications welcoming the new BCA customers to the respective banks, generally take the form of letters. These are generally sent out soon after the BCA is opened. The respective banks also send out welcome packs, enclosing various welcome and explanatory brochures. LBG sends out [✂] such communications per year.
Annex 2.6	(h)	(a) Letter from Lloyds' notifying the BCA customer that their free banking ends soon. (b) A summary of Lloyds' main tariffs and charges which is enclosed with the above letter.	The communications generally take the form of letters and are sent out ahead of the free banking period coming to an end. LBG sends out [✂]such communications per year.

2. Are there other occasions (points in a customer's relationship with their bank, particular life-stages or milestones, for example) that could be characterised as 'trigger points'? Do you contact your customers at any of these times? If so, please provide:

(e) **the number of customers who are typically contacted (to provide an indication of the scale of each trigger point's occurrence)**

(f) **the timing of each communication, including whether the communication is sent once or on multiple occasions, and at what point in relation to the trigger it is sent;**

(g) **the medium of communication and whether this differs for different customers. Please provide examples of the different mediums used; and the content included. Please provide examples of the communications used across different mediums and for different customers**.

As submitted on 13 November 2015, LBG would need to conduct a full review of a PCA and BCA customer's journey to be able to provide other occasions that could be characterised as "trigger points" in addition to those listed above at (a)-(h). LBG has not been able to conduct this review in the time available.

In any event, LBG can confirm that the trigger points stated (a)-(h) would capture the main LBG's trigger/contact points. The determination of any further key trigger points can be determined by trialling.

3. Do you monitor customer responses to the communications that you send to them? If so, what impact do the communications have on customers?

LBG monitors responses to it its customer communications generally in relation to their general effectiveness, but does not systematically measure specific impacts across all communications.

LBG has recently conducted a number of trials which include analyses which specifically consider the impact that certain forms of communication might have on customer behaviour. A report summarising the results of these trials was submitted to the CMA on 16 November 2015.

BCAs

4. For each of the trigger points proposed under remedy 1 that relate to BCAs (see paragraph 1(a), (b), (c), (e), (f),.(g) and (h)), please confirm whether you contact your customers at these points, and if so, please provide the same information that we have requested for PCA customer communications.

See the response to Question 3 above.

5. What evidence, including from monitoring responses to your communications at these times, do you have about the importance of these various trigger points for PCA and BCA customers? Are customers more likely to consider switching or actually switch at some rather than others?

See the response to Question 3 above.

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		
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?**	See LBG's response to Remedy 2 in Section 1.
b)	**What indicators should be used to evaluate the effectiveness of CASS promotional activity?**	See LBG's response to Remedy 2 in Section 1.
c)	**What specific obligations should be placed on current account providers in terms of including references to CASS in their marketing communications to customers?**	This should be guided by trialling and testing utilising third party marketing expertise, overseen by the FCA or PSR. In principle, references to CASS could be included in: • appropriate existing marketing communications from providers to customers; and • prompt messages considered under Remedy 1.
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?**	LBG is not aware of any directly applicable examples.
e)	**Are there particular customer segments or trigger points that should be targeted by such campaigns, in addition to those mentioned here?**	Campaigns should target customer segments which have most to gain from switching (for example, through using midata 2) and/or have the lowest awareness of CASS, noting that CASS currently does not extend to SMEs with a turnover above £6.5m. This remedy is likely to be more effective if it builds on the prompts proposed in Remedy 1.
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**	Contributions should reflect providers' market share based on value. As a proxy, market share of main accounts could be used.

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		
	CASS or a mixture of the two?	
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?**	See LBG's response to Remedy 2 in Section 1.

Remedy 3 - Facilitate price comparisons between providers by making customer-specific transaction data more easily available and usable, including by PCWs		
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?**	See LBG's response to Remedy 3 in Section 1..
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?**	See LBG's response to Remedy 3 in Section 1..
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?**	Any technical issues can be overcome with further development, in particular, if supported by the CMA and industry as a whole.
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?**	Comparison service providers have a strong commercial incentive to promote their services. It might be helpful to further support this remedy by appropriate promotion on providers' own websites and in their marketing communications to customers.
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**	This should form part of the CMA's ongoing research into how customers would interact with an enhanced midata service.

Remedy 3 - Facilitate price comparisons between providers by making customer-specific transaction data more easily available and usable, including by PCWs		
	unnecessary if banks adopted common API standards?	
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?**	See (c) above.
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?**	This remedy should be available to all SMEs within the scope of the CMA's reference and all providers.
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?**	This remedy can be implemented within relatively short time. The OFT standard scenario comparison initiative has not been particularly effective, and there is no reason to believe that an interim solution involving standard scenarios would be more so.
i)	**How could it be made easier for customers who lack internet access or IT skills to make price comparisons between providers?**	The CMA should work with providers and other stakeholders (including relevant consumer groups) to explore suitable solutions for customers who lack internet access or IT skills. LBG considers that such solutions can be identified and is willing to work with the CMA.

Remedy 4 - A PCW for SMEs		
a)	**What products should a PCW for SMEs include? What content, features and functionality should it provide?**	See LBG's response to Remedy 4 in Section 1..
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?**	See LBG's response to Remedy 4 in Section 1..
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?**	An enhanced midata initiative should form the basis of any SME comparison service. In particular, an interim solution involving standard scenarios would be ineffective, as such scenarios are rarely relevant to customers' individual circumstances and can be misleading. A potential exception to this might be the development of the BDI-led initiative outlined in Remedy 13 which could help to facilitate some form of profiling, noting that there is an overlap (see LBG's response to Remedy 13 in Section 1).
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?**	As explained in the main response to Remedies 3 and 4, a Challenge Prize, as designed and proposed by NESTA with support from the CMA, will best support development of a market-based solution. As with other retail banking products, the PCWs which emerge are likely to be commercially viable on an ongoing basis.
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?**	See (d) above.
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?**	As part of the remedy design, all providers should be required to continuously supply up-to-date product data, in a specified manner, to the approved comparison service providers.

Remedy 4 - A PCW for SMEs		
g)	**What technical or regulatory obstacles, if any, would arise from this remedy? How could they be overcome?**	See 3(c) above.
h)	**What would be a reasonable timetable for the creation and launch of a PCW for SMEs?**	See 3(a) above.
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?**	See 4(b) above.

Remedy 5 - Enable consumers and SMEs to make comparisons between current account providers on the basis of their service quality		
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?**	Key facets could be determined by various tests, trials and laboratory experiments (as the remedy develops) to explore customer behaviour when faced with different versions of quality metrics. Relevant metrics may differ between subsets of consumers and SMEs. Metrics to be trialled could include: • associated benefits of different current accounts; • service quality and overall customer satisfaction measures (e.g. net promoter scores, mobile app ratings, number of complaints, distance to nearest branch, objective measures of internet banking quality); • details regarding scope of relationship management services offered to BCA customers, such as value for money; whether customers are treated fairly; the extent to which the provider offers flexible products and services tailored to individual customer needs; the provider's interest in supporting the customer's business; how proactive the provider is dealing with the SME; how quickly the provider rectifies errors; how knowledgeable staff are about business banking; how receptive and flexible the provider is to requests; • channel options (eg. outlining the scope of a provider's digital, branch and telephone banking services).
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?**	Whatever the measure used, it needs to be applied on a consistent basis across providers using robust data and take into account a number of factors such as: whether the customer is an individual or an SME (if an SME, the size of SME, given their different needs and preferences); whether the customer uses digital banking; and whether the customer is a heavy overdraft user. This is not currently the case for many of the facets listed in (a) above.
c)	**Is the demographic and geographic scope of current commercially available satisfaction surveys adequate? Are sample sizes sufficient to adequately reflect**	This depends on the specific metric and the degree of granularity that is sought from the metric. In particular these surveys may not be able to capture many metrics for smaller

Remedy 5 - Enable consumers and SMEs to make comparisons between current account providers on the basis of their service quality		
	satisfaction with newer or smaller banks, for example, or in particular parts of the UK?	or newer providers accurately.
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?**	The quality information should be made available by providers in a standardised format. This will allow comparison services (and other financial services information providers) to use these metrics in the most appropriate way. LBG is not able to comment on the extent such requirements overlap or conflict with PSD2 within the time available for this response.
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?**	See 5(d) above.
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?**	Compliance with the remedy will be important in ensuring that it is effective. As with the 2002 SME Undertakings, LBG considers that providers' internal audit function could be responsible for monitoring compliance, with annual reporting to a regulator. This could be supplemented by additional spot-checking by the regulator.

Remedy 6 - Standardise and simplify BCA opening procedures		
a)	**If common standards were promoted what form should these take and what data requirements would be appropriate?**	Different providers require varying degrees of information to meet their regulatory obligations depending on the type of customer. The CMA should work with the FCA, HMT, SME representative bodies and other stakeholders to facilitate this remedy. The FCA and HMT might also consider whether the AML and KYC requirements can be streamlined.
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?**	While the data may assist a provider to conduct the checks, a provider is liable for the CDD and AML checks conducted on its own customers, and cannot therefore rely on checks conducted by another provider. A provider may legitimately require further information to that contained in the pack.
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?**	The remedy should be adapted to reflect different requirements for different types of SME. For example, it may be sensible to focus the remedy on BCA opening procedures for smaller SMEs and start-ups, whose requirements are likely to be simpler, and who may have fewer resources to dedicate to identifying the best BCA and switching. The remedy could be enhanced in due course to encompass larger SMEs.
d)	**To what extent, if any, could measures to streamline the account application process cut across AML or KYC requirements?**	KYC requirements are risk-based, and providers design their procedures to reflect the risks in their business, which vary by customer, product and geography. Similarly, each provider is responsible for its own AML checks, and may require more information than is provided in a streamlined process. Flexibility should be provided for providers to have the ability to require more or less information to satisfy their regulatory obligations, where appropriate, depending on the provider and the customer.
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?**	Standardisation of procedures could inadvertently reduce providers' incentives to innovate in relation to simplifying account opening procedures, and thereby mute competition.
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**	It would not be necessary to implement an outcome measure. It would be disproportionate to require one.

Remedy 6 - Standardise and simplify BCA opening procedures		
	providers to process an application, be appropriate as the basis for a remedy?	
Additional questions of 6 November 2015		
g)	**Describe your current BCA opening procedures including documentation and checks required? Please provide a copy of your BCA opening form?**	BCA opening procedures were described in answer to questions 26 and 27 of LBG's Response to the SME Market Questionnaire of 23 January 2015.
h)	**Does your BCA opening requirements/procedures vary by the type of customer (eg large versus small SMEs)?**	See the answer to questions 26 and 27 of LBG's Response to the SME Market Questionnaire of 23 January 2015.
i)	**Are there any practical, regulatory or technological barriers to have common BCA forms and processes across the industry?**	See the response to (d) above. The CMA should work with the FCA, HMT, SME representative bodies and other stakeholders to facilitate this remedy.

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?**	LBG supports the idea of an online tool to help potential customers assess whether they would be likely to be granted an overdraft facility, provided that the remedy is appropriately designed following trialling and testing and does not impact on a customer's credit rating.
b)	**Would a tool such as we describe, while not providing customers with a definitive answer, nonetheless be useful in identifying possible lenders?**	Yes, as it would at least provide customers with an indicative view as to which providers they should focus their searches on.
c)	**Are there other approaches to making the application process easier or more transparent for customers who require overdraft facilities?**	LBG has no comments on this question at this stage.
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?**	LBG does not consider that partial switching would act as an effective substitute to an effective overdraft eligibility checker.
e)	**What technical or regulatory obstacles, if any, would arise from this remedy? How could they be overcome?**	LBG does not consider that there are any material technical or regulatory obstacles to the development of an online eligibility checker which cannot be resolved through trialling and testing.
Additional questions of 6 November 2015		
f)	**Should there be a prescribed standard time limit for providing a decision on overdraft applications? If so, what could be the appropriate time limit?**	LBG would favour an online eligibility checker, similar to that which formed part of its behavioural trials. This would allow for a swift indicative decision, without the need for time limits.
g)	**Could there be implications of using a website tool to help potential customers assess whether they would be likely to be granted an overdraft facility of a**	A key feature of any overdraft eligibility checking system will be to ensure that it can provide offers without impacting on a customer's credit rating as customers

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		
	particular size/for a particular period, on their credit rating? How could this issue be addressed?	might be put off from using the service.

Remedy 8 - Require payments into the old account to be redirected to the new one for a longer period than at present		
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?**	Bacs is undertaking a feasibility study for indefinite extension.
b)	**Are there technical or regulatory obstacles to extending the redirection period further? If so, how could these be overcome?**	Subject to the findings of Bacs's feasibility study, LBG does not believe there to be material or insurmountable technical or regulatory obstacles.
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?**	The FCA found that indefinite redirection might reduce customers' incentives to update payment details. LBG does not expect this to be a material concern.
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?**	Indefinite extension of the CASS redirection period should wholly address any customer concerns, and would render ANP unnecessary. Given that the CASS service is already established and operating, the very substantial additional cost and complexity of developing ANP in parallel would be unnecessary and disproportionate.
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?**	Under the CASS guarantee, customers are already compensated for any interest paid or lost, or any charges on either the new or old account, as a result of any error with the switch. LBG agrees with the FCA's findings that this is sufficient to address completely customers' concerns around incurring charges.

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?**	Porting of transaction history should form part of the automatic CASS switching service, and therefore take effect at the time of switching.
b)	**Should providers be permitted to charge for this information?**	Subject to the final design of the remedy, LBG does not consider that providers should be permitted to charge for this information except in certain situations. For example, if an ex-customer were to make a number of requests which required additional manual steps to process, it might be appropriate to charge for these services.
c)	**For what period should past transaction data be available? Is five years' worth of data sufficient?**	The CMA should consider the trade-off between additional complexities in implementation and the additional benefits from making longer periods of past transaction data available.
d)	**Would the purpose of the remedy be achieved by banks automatically providing customers with their transaction history when they closed their account?**	As mentioned above, the porting of transaction history should form part of the CASS switching service, and therefore transaction history should be provided automatically to the new provider when the account is closed. Customers could, however, also be prompted to port their transaction data with them when switching accounts using their midata 2 profile (which could be provided automatically by providers at account closure).
e)	**What role, if any, would it be appropriate for Bacs/CASS to play in this process?**	See above.
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?**	LBG is not aware of any obstacles in implementing this remedy.

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		
Additional question of 6 November 2015		
g)	**What are your current policies regarding providing bank statements to customers at the time of or after closing their accounts?**	Statements are sent following closure and customers can request copies post closure. Customer copy statements are only normally kept for a maximum of 10 years and a statement past this timeframe cannot be guaranteed.

Remedy 10 - Require Bacs to transfer continuous payment authorities on debit cards when switching through CASS		
a)	**Is the remedy practicable? Can Bacs reliably identify and distinguish CPAs, for example?**	This remedy is practicable, and LBG supports it. Continuous payment authorities are controlled by the card schemes and merchants. This means that neither Bacs nor the card issuers have the information necessary on the CPAs entered into between merchants and customers to implement the transfer of the CPAs.
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?**	See above – Bacs is not in a position to provide any guarantee.
c)	**Is the remedy of more relevance to consumers than SMEs? Do SMEs use CPAs as a payment (as opposed to a billing) process?**	CPAs are of greater relevance to consumers/PCAs than SMEs/BCAs.
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?**	As noted above, the remedy would require the engagement and co-operation of the card schemes and merchants. Details relating to CPAs are held by merchants rather than the banks or Bacs, and transactions are processed by the card schemes.
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?**	At present, when an account is closed, the payment is declined, and the merchant will simply seek an alternative method of payment from the customer. These processes are already in place and work effectively. Keeping old accounts open to deal with legacy CPAs would increase the complexity of switching for consumers, e.g. in terms of managing two active accounts simultaneously.

Remedy 11 - Require all banks to support the partial switching service and to provide an equivalent guarantee to that offered as part of CASS		
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?**	The opportunity to "try before you buy" is likely to be appealing to a section of customers, who may therefore be encouraged to switch. It may also be appealing to customers for whom the new provider is not offering certain benefits offered by the existing provider, e.g. in terms of an overdraft facility or preferential loan rate.
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?**	Certain customers may benefit from taking advantage of the best features of two or more accounts simultaneously.
c)	**Is the list of features that should be included in the proposed partial switch guarantee comprehensive? If not, what should be added?**	The list is comprehensive, and it would be sensible to have a comparable and equivalent guarantee in respect of partial switch service as for the full switch service, to avoid customer confusion and unnecessary complexity.
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?**	Depending on the nature of the account (eg whether or not FIIC), there is the possibility that customers pay for an unused facility. There is also the possibility that balances become stranded in dormant accounts.
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?**	LBG does not anticipate that this would lead to a significant change in the amount of multi-banking (with multi-banking in this context meaning the operation of more than one active account).
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?**	If processes were automated, and appropriate standards adopted, LBG considers that a 7 day switch would be appropriate, but some customers may prefer some flexibility.
g)	**Are there any regulatory, technical or other obstacles to implementing this remedy, for example as regards**	LBG considers that the challenges with this remedy are primarily technical, but if all banks were required to offer partial switching, if appropriate standards were

Remedy 11 - Require all banks to support the partial switching service and to provide an equivalent guarantee to that offered as part of CASS		
	any overlaps with PAD? How could these be overcome?	then agreed and adopted, and if the partial switching processes were automated, then LBG considers that the possible remedy would be feasible.
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?**	Enhanced promotion of the partial switching service by providers and CASS would be advantageous to raise customer awareness and confidence.

Remedy 12 - Changes to CASS governance		
a)	**Does the current membership and voting structure of the CASS Management Committee blunt its incentives to promote switching between current account providers?**	The current management structure, while delivering an operationally effective switching service, could be developed to improve the promotion of switching.
b)	**In what ways, if any, should the membership of the Management Committee be changed? Is its size or composition appropriate?**	A dedicated, independent and properly incentivised management team with experience of delivering operational change should be given day to day management responsibility.
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?**	No – the voting structure of one member/one vote means that the influence of the established banks is highly diluted. For example, despite providing 25 per cent of the funding, LBG has just 1/18th of the vote (less than 6 per cent).
d)	**Would it be desirable to introduce an element of independent oversight of CASS? If so, how could this be done?**	LBG considers that the FCA should have independent oversight of CASS.

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?**	The SBEE Act requires banks to have consent, or where not held, to get consent in relation to the sharing of SME information. This can be obtained by covering the sharing of bank data with CRAs within the provider's Terms and Conditions. Customers do not, however, have an "opt-out"; they either accept the account Terms and Conditions or do not proceed to open the account. If all providers are signed up to the remedy, SMEs may have limited options if they do not consent to the sharing of their information with CRAs. The need for an "opt-out" should be considered. SME customers should have the right to change their mind (and opt-out) if there has been a change in circumstances (e.g. following a security breach, a change in company structure). Access to SME data should only be used for assessing applications, and not for general marketing purposes.
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?**	LBG does not consider that other additional remedies would be required. The remedy is being proposed as part of a detailed package, and therefore the package needs to be considered in its entirety when considering the effectiveness of this remedy. Any additional remedies in this context would raise the issue of proportionality.
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?**	Exposing a loan application made to an incumbent to a wider market may raise privacy and data protection concerns as sensitive information on SMEs and their owners would be automatically provided to a wide range of lenders. Accordingly, consent would be required. Moreover, it is not clear how such a remedy would differ in practice from the eligibility tool set out in remedy 15 or the PCW anticipated in relation to remedy 4.

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?**	LBG is unable to comment on this meaningfully.
b)	**What technical or regulatory obstacles do they face and how can these be overcome?**	Minimum standards as to what data is to be included should be agreed between banks and SME representatives. Consideration should also be given as to how to encourage SMEs to share confidential data with providers e.g. business plans and forecasts.
c)	**Even were the technical and regulatory obstacles overcome what incentives would providers have to use such services?**	If the remedy reduces the administrative and processing costs of banks assessing SMEs' credentials before deciding to lend, then it will create an incentive for banks to participate in the scheme. However, this will depend on the cost of having to adapt IT systems to cater for different types of data (and in different formats) which could involve significant costs.
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?**	If the remedy increases the chances and reduces the time and administrative costs of obtaining finance from alternative providers, then it will create an incentive for SMEs to use such services. Confidentiality may also be a key factor affecting an SMEs decision to use the service. Views of SMEs should therefore be sought.
e)	**The CMA's proposed Remedy 4 is intended to make it easier for SMEs to compare the cost of banking services, including loans, and as such would address this aspect of the AECs. The CMA is considering one other measure that may be implementable more quickly that this though they would welcome further suggestions for remedy approaches which parties believe are likely to be effective and proportionate in addressing this AEC.**	If SMEs are able to apply for a loan in the standard format (which obviates the need for multiple applications using different supporting material), this is likely to reduce the search costs and therefore be seen as an attractive proposition by SMEs. Minimum standards as to what data is to be included should be agreed between banks and SME representatives.

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?**	The format of the tool (e.g. in terms of the questions to be asked, level of detail required, and the layout of the tool) will have a bearing on the customer experience. The remedy would benefit from trialling and testing so as to get the format and customer experience right. LBG is not aware of any regulatory obstacles.
b)	**To which lending products should the remedy apply?**	The remedy should focus on unsecured general purpose business loans. However. The CMA should consider whether the remedy should have in-built flexibility to allow for subsequent extension to other unsecured lending products, if the initial deployment is successful.
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?**	As the aim of the remedy is to make it easier for SMEs to compare the offerings of different providers, the tool should be set up to meet certain minimum requirements so as to minimise search costs.
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?**	The more definitive are the indicative offers of lenders, the more valuable they are likely to be for SMEs (and the more trust SMEs will place in the online tools). However, the trade-off is that for providers to give definitive views at the indicative offer stage, it is likely to require more information to be provided to SMEs. The remedy would benefit from trialling and testing so as to get the format and customer experience right. Any system would need some controls in order to prevent a bank habitually quoting low rates that are subsequently revised up or the loan subsequently declined. It would be disproportionate, and subject providers to undue risk, to impose obligations on providers on the basis of a partial and incomplete online assessment. The offer should, however, set out what types of information would need to be provided for the offer to stand.
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?**	Yes.

Remedy 15 - Require banks to provide a loans price and eligibility indicator		
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?**	SMEs would have an incentive to use the service as it provides greater transparency compared to the current position. However, due to lower search costs, SMEs may have a greater incentive to use the price comparison website discussed in Remedy 4. This remedy should be considered alongside Remedy 4.
g)	**What monitoring and enforcement arrangements would be needed for this remedy? Who should be responsible for overseeing it?**	LBG considers that the FCA should be responsible for reviewing the specific design of the remedy, and monitoring the effectiveness of the remedy on an on-going basis (including periodically reporting back to the CMA).