

**Competition and Markets Authority  
investigation of retail banking**

**Response by Business Finance Compared to  
the Notice of Possible Remedies  
22 October 2015**

## Introduction

At Business Finance Compared we welcome the CMA's investigation into retail banking and in particular the inclusion of SME banking within scope.

### Who we are and what we do

Business Finance Compared (BFC.com) helps SMEs to grow by matching them to the right finance option based on their unique business profile and requirements. Through BFC an SME can search the market, compare options (by cost, service quality ratings etc.), find out which products they will be accepted for based on their business credit profile and apply - all in one seamless customer journey. Our website enables SMEs to find and compare all major financial services products from loans to Business Current Accounts and we continue to add new SME finance products as the market continues to innovate.

Launched in Q1 2015, BFC.com is the leading Price Comparison Website (PCW) dedicated to helping thousands of SMEs every week to find the best products available for them.

The executive management team behind BFC.com is the same team behind the highly successful TDX Group (now an Equifax company) and HD Decisions (now an Experian company) and have led companies such as Google and Capital One. We have unrivalled experience in building tech enabled financial services marketplaces to improve customer experiences and create positive outcomes.

It's worth noting that while we use the terminology 'price comparison website' to describe our business in the context of this response, BFC actually does much more than compare prices. We enable SMEs to compare many other factors, including service quality scores and the likelihood of being accepted for each product.

### The perspective and focus of our submission

We are in a unique position to present the challenges that SMEs face and to comment on suggested remedies for AECs - because we're an SME ourselves, but also because we have relationships with the thousands of SMEs who use the BFC.com website to find financial advice and solutions.

Our submission focuses on the market challenges and proposed remedies that we believe will have the most material positive impact on SMEs.

### How BFC.com helps SMEs get better finance by increasing competition

We have provided a diagram to articulate how BFC.com supports each key stage in a SMEs journey to finance and how BFC.com can support the implementation of the proposed remedies.

### How BFC.com can help the CMA and finance providers address the AECs identified

BFC.com is already closely integrated with more than 40 finance providers. These integrations not only allow us to present a vast number of finance options to SMEs, they also enable us to match an SME's creditworthiness against the lenders credit risk criteria and present SMEs with a likelihood of being accepted. This increases the number of successful applications. As well as providing an immediate benefit to SMEs (in increasing the number of successful applications and reducing the number of futile application attempts), it also reduces the cost of acquisition for finance providers, a benefit that will be passed onto SMEs in more competitive rates.

We believe that the solution we have in place today, which enables comparison of Business Current Accounts (amongst other products) would work well in collaboration with the other remedies already outlined by the CMA. We envisage a scenario where SMEs are prompted to use the BFC.com solution to compare all their options in order to establish whether switching would be of benefit to them. We believe that this would facilitate the switching process by presenting SMEs with all alternative options in one place and helping them to compare based on features such as price, service and likelihood of acceptance.

To achieve this vision we will work with the banks to seamlessly pass across SMEs who are interested in switching to their products and we would be willing to present these potential customers to banks free of charge as part of a test pilot for the Open Data Initiative. In addition to this, to support the CMA's work we feel we would be a valuable addition to the Open Banking Working Group.

### **Our policy recommendations**

Our closeness to the SME market place enables us to present our own unique view of the proposed remedies outlined by the CMS. In particular we wanted to make the following recommendations and observations.

- The CMA should lean upon existing SME focused PCWs as a key component of any remedy to improve switching behaviour
- Mandating that banks create a PCW is will create a conflict around impartiality and therefore trust
- The critical enabler to increasing competition in the market is improving access to transaction level banking data. To date, the progress to open access to this data has been slow - partly due to the lack of incentive for banks to open access to the data and reduce their competitive advantage
- The opaqueness of Current Account charging structures, especially for SMEs is limiting competition. Improving the transparency of financial product fees is a quick win that should be enforced by the FCA as regulator and is something that PCWs can help with.
- Existing and emerging Fintech companies like ourselves are innovating fast, often faster than the banks. The CMA's focus should be on unlocking the enablers for innovating companies, Like BFC.com to innovate (e.g. better data access, price transparency)
- The role of the CMA should be to create the highest level of competition in the market by making it easier for SMEs to compare and switch providers but this should not be at the expense of the SME experience
- The user case to test the implementation of remedies needs to be developed by independent parties like BFC.com who work with SMEs to help them compare their options and can provide input with through the lens of the latest technological innovations.

### **Prioritisation of remedies**

The remedies that have been carefully considered by the CMA will all contribute to the accelerated switching of current accounts. We believe however, that some remedies will prove better interventions than others. The remedies that will have the most positive and instant impact are those where the CMA and existing providers can operate existing solutions. As an illustration of this, we have highlighted the remedies that are already core to the BFC.com proposition today and therefore could be executed with immediate effect, We also believe in the prioritisation of remedies that enable existing PCWs to create an even more seamless and valuable customer journey – we have grouped these together also.

Other remedies should only be implemented once said seamless customer journey for SMEs who wish to switch has been established.

Please see our attached diagram which shows these prioritised remedies overlaid on a SMEs journey to finance as supported by BFC.com.

### **Quick win remedies: i.e. those that are in existence today:**

Remedy 4 – A PCW for SMEs

- The CMA should lean on and support existing SME focused PCWs

Remedy 5 – Compare options based on service quality

- CMA should lean on PCWs such as BFC.com who already provide this comparison

### **Key Foundational Remedies: Core to BFC.com ongoing development**

Remedy 3 – Improving access to transaction level data

- Vital enabler to innovation and biggest barrier to improving the SME journey and increasing competition
- Closely coupled with Remedy 9,13 and 14 to ensure all data is made available to support personalised comparisons and simple switching

Remedy 7 – Transparency of overdraft facilities

- The CMA must implement through enforcement by the FCA

Remedy 6 – Simplify the BCA application and opening process

- CMA should support and promote Fintech companies that are innovating in this space

- Be aware of the unintended consequence of stifling innovation and removing a competitive driver by standardising application processes

**Remedies effective only when a seamless customer journey has been established:**

Remedy 1 – Prompt SMEs when to switch

Remedy 2 – Public awareness of the savings

Remedy 8 – Redirect payments to new account for a longer period

Remedy 9 – Retain previous account transaction data

Remedy 10 – Include CPAs under Bacs/CASS

Remedy 11 – Partial switching

Remedy 12 – Changes to CASS Governance

**SME Lending: All being supported by BFC.com**

Remedy 13 – Data sharing with CRAs

Remedy 14 – Commercial open data

Remedy 15 – Banks to provide loans price and eligibility calculator

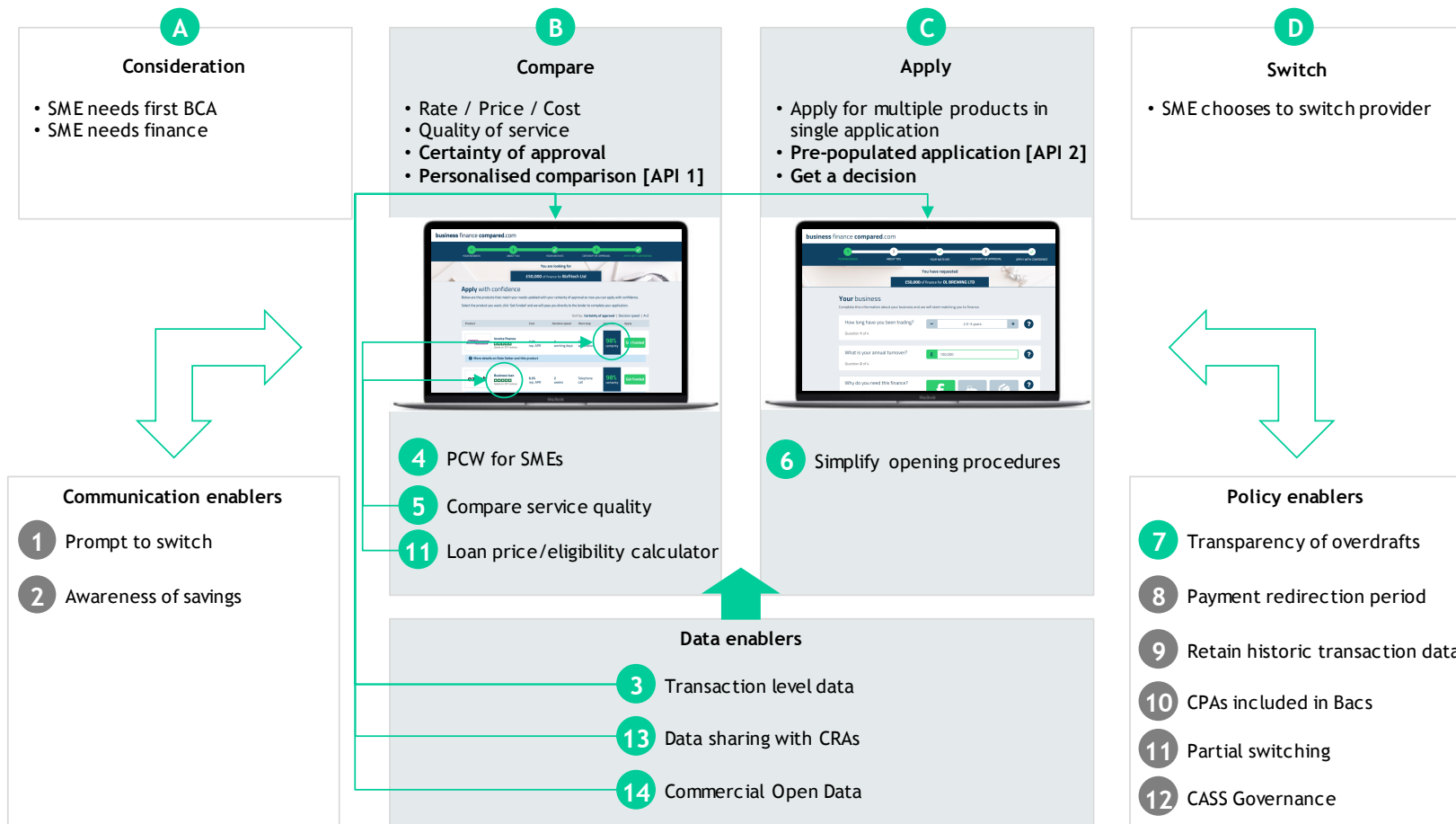
**Detailed response**

The rest of our response contains detailed feedback on the remedies where we feel we are best placed to comment and support the CMA based on our experiences of operating a leading PCW for SMEs.

Fig 1

# CMA remedies package as fulfilled by BFC.com

- Remedies core to BFC.com
- Remedies rely on a seamless customer journey being in place



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

- We agree in the value of prompting SMEs to consider reviewing their BCA options as SMEs are generally not aware that the costs of business banking can vary significantly depending on their usage of the banking services
- However we believe it is important to ensure the customer retains the choice of whether to switch at all times because without remedies to significantly improve the application and switching processes of banks, the time value of switching will outweigh the savings
- In implementing this remedy, it's important to recognise that the trigger points for an SME switching are very different to consumers. For example the most important trigger point for SMEs is when their business grows or changes and therefore their use of the banking services changes e.g. processing more/less cheques, starting to trade overseas etc. The transactional trading behaviour of a business has the biggest impact on the cost of banking yet SMEs will not always notice this change of behaviour. Understanding and identifying these trigger points is key within this remedy.
- Remedy 1 is intrinsically linked to Remedy 3 as improved access to data by intermediaries (e.g. PCWs) is required to help the SME understand when their trading behaviour has changed enough to warrant consideration of switching
- Innovative intermediary platforms including BFC.com are already building solutions to identify when SMEs may see value in switching e.g. integration with accounting packages and CRAs.
- Our recommendation would be to focus on raising awareness of the potential value of switching before implementing a policy to prompt an SME to switch
- Our view is that part of this remedy to prompt customers to review their provider should be driven by the provider themselves. Mirroring the energy industry where a provider has to inform a customer if they have a better offer - it should be mandatory for PCA and BCA providers to follow the same rules.
- Most importantly we believe that where SMEs are prompted to review, they are directed to a website where alternatives can be easily compared in a single place and the effort of comparison is not with the SME i.e. they do not have to visit several supplier websites and undertake arduous research and comparison. We know that SMEs are time poor and so we need to provide a solution that facilitates the process of comparison and switching.

***(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?***

- This remedy will only be effective for SMEs where the trigger points are truly understood, where data is available to identify when a trigger point is occurring and where there is a marketplace for SMEs to compare alternative options and assess them
- Therefore for SMEs we see Remedy 3,4,5,6 as pre-requisites to this Remedy

***(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?***

- Yes. Improving the transparency of overdraft costs / penalty fees should be a priority. It is possible today for banks to notify SMEs when they attempt an action (e.g. to make a payment) which will result in them going overdrawn and incurring fees, but this practice is not used. The CMA should work with the banks to implement this very simple approach to notifying SMEs when an action they take will result in a charge.
- As a minimum SMEs should receive a trigger when a fee is incurred, so that they have the opportunity to correct their action before the fee is charged

***(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?***

***A serious or widespread loss of service to a provider's PCA or BCA customers arising from an IT breakdown; (I think this means loss of service at the Bank, rather than at the SME)***

- In the event of a loss of service, we would expect SMEs to be focused on ensuring their business can still operate. The SME is likely to be receptive only to messages that help resolve the situation and switching is unlikely to be a priority
- Once normal business is resumed the opportunity to present these messages could work well.

***A major dispute between a provider and an individual customer;***

- Yes
- But only where alternatives can be easily compared based on service quality.

***A material change in the bank's terms and conditions pertaining to a BCA or PCA product used by the customer;***

- Yes
- But only where alternatives can be easily compared in a single place and the effort of comparison is not with the SME i.e. they do not have to visit several supplier websites and undertake arduous research and comparison.

***Closure of a customer's branch;***

- Yes
- Some SMEs are particularly dependent on their branch (more so than consumers), for some smaller businesses a trip to the bank to cash deposits will be a daily process. However unless alternatives can be easily compared based on the location/proximity of a branch a prompt to switch will not be effective.

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

- Yes
- Only where the SME can understand the overdraft charges of alternative providers. An overdraft can be essential to an SME to manage cash flow.

***The opening of a BCA for the first time; and/or***

- No
- It is not immediately clear to us why the opening of a BCA for the first time would prompt someone to changing their banking arrangements.

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

- Yes
- This is the priority trigger point
- Free banking periods are being used extensively by banks as a marketing tool to attract new businesses and at the time of comparing which account to open, it is very hard to understand what the cost will be after the free banking period
- We would also note that not all banking services are free under the free banking period e.g. forex is typically not included and usage caps are applied to the number of transactions that are free

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

- As referenced above SMEs need to be made aware of the importance of reviewing their banking services as their business grows and their trading behaviour changes.

***(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)?***

- It is essential that SMEs are presented with sources of comparative information as part of prompting them to consider switching
- It is also essential that SMEs are directed to a service where comparison of alternative options is available, such as a PCW that specialises in SME finance.
- SMEs are time poor and without combining triggers with Remedy 3, 4, 5, 6 they will not add any value to SMEs.

***(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?***

- Customer communication methods will vary significantly from one SME to the next and when you consider that there is often more than one individual to be involved in finance decisions for a SME, this compounds the issue further.
- Extensive research shows that customers typically have a preference for a communication method so any prompting needs to be aligned to customer preference to maximise effectiveness
- We would expect customers to be required to give consent for any prompting messages to be sent and at this stage to have the option to select their preference of communication method
- Finance providers will already have a view of customers preferred contact methods and we would recommend these are mirrored for prompts e.g. payment notification, balance updates etc.

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

- BFC would recommend that the provider should be mandated to report any loss of service to the relevant regulatory body (we assume FCA in most cases) as the loss of service could result in customer detriment. The provider should be mandated to report their assessment of the impact on customers within a defined period. We would then expect the FCA to determine if the loss of service was ‘serious or widespread’. In reality SMEs and consumers will quickly raise awareness of a loss of service (through complaints, social media, press etc.) and this should trigger the FCA to proactively investigate.

***(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?***

- BFC would recommend that any prompts contain a minimum level of information and that the trigger events and frequency of prompts should be standardised. We would expect the content and frequency of communications to comply with FCA guidelines and the FSMA 2000.



***Remedy 2 – Increase public awareness of the potential savings or rewards that could be obtained by changing one’s current account provider and of the benefits of using the Current Account Switch Service to do so in terms of security and convenience***

We believe that this remedy would be a powerful communication tool in prompting SMEs to consider switching and so would work well in collaboration with remedy 1. From our own experience, SMEs respond very well to advice from their local network and peers (often more than from macro level communication) so the role of peers and SME advisory websites (e.g. FEB, or Chambers of Commerce, Trade Associations) should be considered

One point of concern worth noting is that if providers are required to pay for said promotion there is a risk that this cost is ultimately passed on to SMEs as providers will need to absorb the cost and factor this into the cost of providing finance.

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

We wholly agree that the MiData initiative is a powerful tool for SMEs to truly compare the costs of BCA products based on their very unique set of business transactions. However, as the CMA have pointed out, its current application is poor. The existing customer experience is complex, confusing, represents a data security risk and uses technology (download to upload) which will soon be obsolete.

We are aware that LBG have worked on a prototype to demonstrate how the proposed enhancements to MiData can be applied to help SMEs. We agree that the use of a standard API that gives PCWs access to transactional data with the SMEs consent is vital to enable fast and accurate comparisons.

It is essential that the enhancements to MiData – specifically around creating an API standard, should be prioritised and every endeavour is made to accelerate its implementation. The current market operates by banks opening their data to CRAs - any PCW wanting to enable an SME to use this data to compare products needs to build a technical integration with up to 5 CRAs and have a commercial agreement with the CRA. More problematic, the data that PCWs can assess on behalf of the SME is restricted due to the legacy of the rules of reciprocity.

At BFC.com our ethos is to make the process of comparing and applying for products easier for the SME and to remove friction from the finance journey. This ethos extends to minimising the amount of information and data an SME needs to find before comparing options or making an application. As an SME ourselves we know that a minute spent searching for finance is a minute we could have spent focusing on generating revenue to grow our business. We would welcome the opportunity to be a test bed for a prototype API configurations to prove the value to SMEs and ensure the solution is designed with the optimal customer experience in mind. We would encourage the CMA to involve SME PCWs in the development of the MiData enhancements to avoid the same outcome as the current initiative, which was a non-optimal customer experience.

**We have provided an overview of two applications of an open banking data API to enhance the experience for an SME wanting to compare finance options. These are applications we are building within BFC.com. If the banks do not progress in opening access to an API fast enough we will capture the required banking data through data capture services such as Yodlee. Please see Fig 2 and Fig 3.**

***(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?***

- The timeline for implementation will be driven almost entirely by banks appetite to open access to transactional data. In addition, the implementation of standard APIs will involve resources that banks have dedicated to other internal initiatives and so will unlikely be prioritised.
- We would not expect a common API standard to be constrained by legislation but it may be constrained because the same finite resources are focused on building other technical solutions to meet the requirements of other legislation such as the EU PSD.
- We would strongly encourage the CMA to set the banks a clear deadline as to when a proof of concept for the Open Data API will be available for interested and appropriate parties to test. This deadline should be no later than the end of 2016.

***(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?***

- Yes. The proposed improvements to focus on integration through APIs so the transaction data can be linked on behalf of the customer/SME through a single click in the primary benefit
- In terms of additional improvements we would encourage the CMA to enable PCWs to provide these solutions and design them to meet the needs of users. Without a platform through which the data can be utilised to connect SMEs with better finance, MiData remains unusable to an SME.
- With access to transaction level data there are a wealth of solutions that PCWs can provide to SMEs which will increase transparency and enable them to compare finance options – one example is that MiData can be used to inform an SME of when additional finance may have helped them grow their business.

***(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?***

- There is the technical obstacle for PCWs to build the capability to take MiData input files and to host and execute algorithms to present a personalised comparison for SMEs. This is a healthy barrier to entry to ensure PCWs accessing Midata files operate a data infrastructure which is secure and scalable and of ultimate benefit to the SME
- Banks terms for SME products are currently not transparent. In fact the terms for the majority of SME bank accounts are confusing. The challenge is not in PCWs populating the necessary system with the banks terms but with the banks disclosing this information to PCWs. We would also note that for larger SMEs there remains an opportunity to negotiate on some of their banking fees making a like for like comparison very difficult. We would encourage the CMA to introduce the requirement for banks to present terms in a standard format for SMEs, a good example of this in practice is the Key Facts documents used for retail mortgages.
- Some banking services cannot be found online, you have to go to a branch which makes it very time consuming for the SME to compare or almost impossible
- The format and content of MiData files enables a personalised comparison/quote to be presented to a customer and at BFC.com we have built middleware to translate data from any format and structure into a format which enables personalised comparisons to be created. As highlighted in our comments to other remedies, the key shortcoming of the existing MiData approach is in the delivery mechanism (upload/download). A standard API would not only create a better customer experience but enable PCWs to build a more seamless solution to present personalised comparisons.

***(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?***

- We would expect PCWs to be primarily responsible for the promotion of the benefits of using MiData to SMEs. Where MiData is used to create a personalised comparison we would expect this to result in greater revenue potential for PCWs and therefore a commercial incentive to promote the use of MiData.
- We would recommend that if Remedy 2 is implemented the benefits of using MiData for account comparisons is promoted through this channel. We note there is little value in promoting the use of MiData until it has been implemented within a customer journey that is easy and beneficial to use. Once this is in place we would expect the most effective promotion will come through user endorsement

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

- In the current delivery method MiData files are not easy to locate. However we would conclude that the reason for low adoption is more heavily influenced by the complexity of accessing the files and using them. If an API standard is adopted this will replace the need to review the location of MiData file download access within banking websites. As mentioned above it will then become the responsibility of PCWs to promote the benefits of using MiData to create personalised comparisons – this could be single click (with consent on click) making adoption far easier.

***(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?***

- We would defer to the providers to assess detailed technical challenges in adopting Midata standards for BCA transaction histories. Our observations would be that BCA transactions are likely to have more transaction types/codes which would be critical to translate before creating a personalised comparison e.g. transaction code for overseas transaction. The diversity of SMEs and how they use their banking services may present a challenge and where some banks may be managing BCAs on legacy systems and across different systems.

***(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?***

- We do not see how exclusion criteria could be practically agreed and would not want to advocate excluding any SMEs due the size of their business. All SMEs may get better value by switching provider. There is a level of complexity introduced where a SME may be using more than one bank account to manage their finances or have multiple companies within a group with finance managed at a group level.
- Whilst Midata may be available for all the accounts used by an SME, the creation of a personalised comparison would be complex if attempted across more than one account i.e. the potential benefits of switching bank account may only be calculated with accuracy for one account in isolation. We would expect these to be edge cases where the complexity of switching multiple accounts would outweigh the benefits of doing so.

***(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?***

- A simple approach that can be implemented immediately is for providers to list on existing PCWs providing comparison of SME finance options. This would be a step forward and enable SMEs to review all their options when they are considering opening a BCA or switching. This has a direct link to Remedy 4 as we would encourage banks to work with existing PCWs rather than distract their resources in building a PCW themselves.
- As mentioned above the transparency of BCA charges is critical to facilitating personalised price comparisons and steps to improve can be implemented quickly through banks sharing their charges with PCWs. As a PCW ourselves we would then host these transactional level charges and build a cost calculator where customers can enter their expected usage (e.g. number of ATM withdrawals) and be presented with a personalised quote for the cost of each

BCA available. This will effectively implement a solution to test whether price opaqueness is limiting the propensity of SMEs to compare and consider switching BCAs.

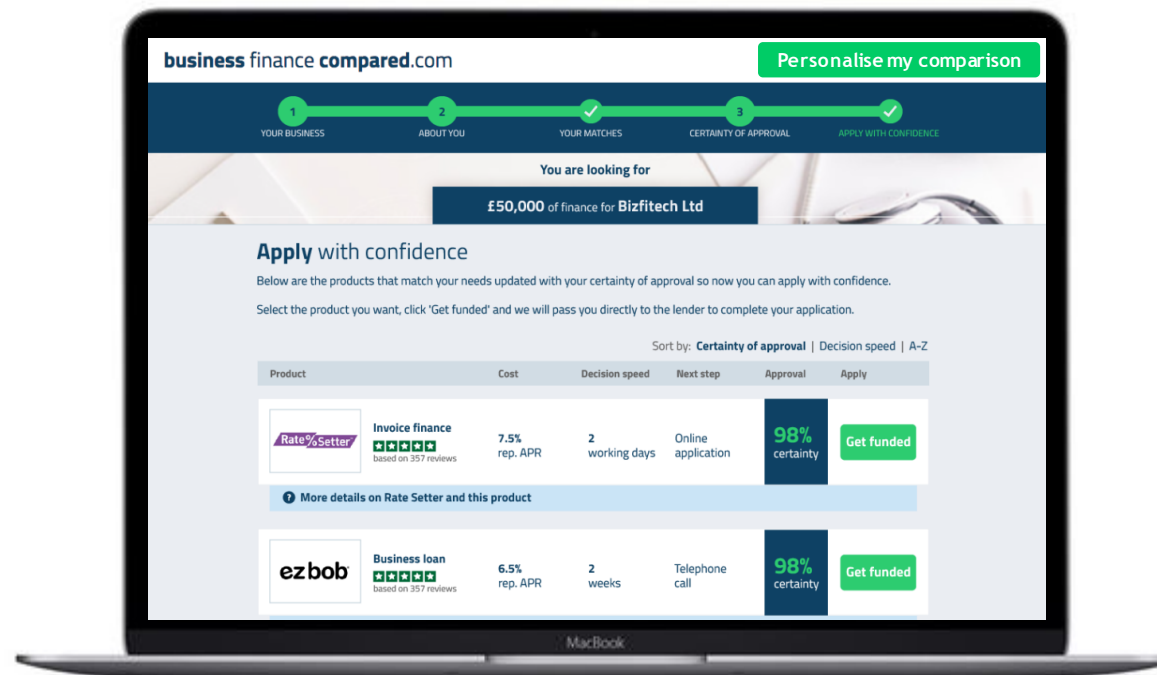
- From our experience of helping SMEs today to compare BCAs with the current data available from banks, we know this would be a significant step forward, be valued by SMEs and enable further evidence of the appetite for SMEs to compare finance options whilst longer lead time initiatives such as MiData common API are being developed.

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

- We would recommend that this responsibility sits with the providers. SMEs that do not have internet access or IT skills are in the minority and for these SMEs they are likely to rely more heavily on their bank for the day to day operation of their business. These SMEs are likely to see their bank as more than simply a broker of financial transactions and we would expect them to have a low propensity to switch provider because of this dependency. For this reason we would suggest the banks help these customers to make price comparison between providers. Rather than have an initiative where banks have to develop an offline comparison approach for a small number of customers we would suggest that banks are required to recommend the SME considers using a PCW to compare their options. Where a SME does not have internet access or the IT skills to use a PCW the bank should offer to hand hold them through the process of using a PCW e.g. populate the comparison journey on behalf of the customer (with their consent and in their presence) and print off the results.

Fig 2

## [API User Case 1] - enabling a personalised comparison



### Data input

- Transaction level account usage
- CRA data
- Commercial Open Data including business plans etc.

### Customer experience

- Customer has choice to complete a personalised account comparison
- Single click (with consent) to link open commercial data used to calculate personalised comparison of BCA costs
- Same API used to enhance existing BFC.com feature of calculating certainty of approval.

### Customer benefit

- Review the true cost of credit based on expected usage
- Calculate certainty of approval so you can apply with confidence
- Save time by only choosing to apply with providers who will approve you

Fig 3

## [API User Case 2] - enabling a pre-populated application

The screenshot shows a laptop displaying the business finance compared.com website. The page is titled "Pre-populate my application" and features a progress bar with five steps: 1. YOUR BUSINESS (active), 2. ABOUT YOU, 3. YOUR MATCHES, 4. CERTAINTY OF APPROVAL, and 5. APPLY WITH CONFIDENCE. Below the progress bar, a banner states "You have requested £50,000 of finance for OL BREWING LTD". The main section is titled "Your business" and contains three questions:

- Question 1 of 4: "How long have you been trading?" with a dropdown menu set to "2.5-3 years".
- Question 2 of 4: "What is your annual turnover?" with a text input field containing "£ 100,000".
- Question 3 of 4: "Why do you need this finance?" with three radio button options: "f" (selected), a car icon, and a box icon.

### Data input

- Transaction level account usage
- CRA data
- Commercial Open Data including business plans etc.

### Customer experience

- Customer has choice to apply for multiple providers/products through single application in platform
- Single click (with consent) to pre-populate application form with personal and business credit information
- Decision in principle returned to customer

### Customer benefit

- Save time completing applications
- Remove risk of transferring confidential information to multiple lenders

### ***Remedy 4 – A PCW for SMEs***

We strongly disagree with the CMAs suggested remedy of requiring BCA providers to facilitate the establishment of PCW for SMEs. Mandating that banks create a PCW is inappropriate as the impartiality of such a solution would come in to question. .

The CMA should promote and support existing SME focused PCWs such as BFC.com who are already helping SMEs make personalised comparisons of their finance options.

The remedy should be amended to read “Providers to support SME PCWs in providing personalised comparisons to SMEs”.

In response to this Remedy we have highlighted how BFC.com supports market competition as a PCW for SMEs and how the CMA and providers can support existing PCWs.

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

- At BFC.com we believe there is space in the market for PCWs that specialise in specific SME products however we believe the successful PCWs will enable SMEs to compare all finance products in one place. At BFC.com we enable SMEs to compare BCAs (including overdrafts), credit cards, unsecured loans, secured loans, invoice finance, asset finance, trade finance, merchant cash advance, revenue advance. We continue to add new SME finance products as the market continues to innovate.
- We believe it is important that PCWs enable SMEs to compare a wide range of finance products because simply comparing providers will not guarantee the best value – for example a high proportion of SMEs finance short-term cash flow gaps in their business through overdrafts and credit cards which are significantly more expensive than considering a loan or revenue advance.
- At BFC.com we provide the content our SME customers demand, as a minimum they want information about how the various finance products work, information on the providers, what is required to apply and what type of security is required to access different finance types.
- The functionality provided by a PCW for SMEs needs to be driven by how SMEs want to compare products. Our research and user analysis shows that their certainty of being approved is the number 1 priority for SMEs comparing finance options. SMEs are time poor and with the existing application processes being complex and time consuming their first priority is to ensure they are applying for products where they will be accepted. At BFC.com we have developed unique technology to enable us to process provider’s credit policy and assess SMEs based on their creditworthiness to calculate their certainty of approval.
- In addition to this functionality SME PCWs need to enable SMEs to compare products on a series of criteria including o certainty of approval, cost, speed of decision, complexity of application, service quality. As mentioned elsewhere in our submission the primary challenge for BFC.com at the moment is being able to present clear cost comparison for BCAs due to the complexity and opaqueness of the banks charging structure and the lack of access to transactional data to enable personalised comparisons.

#### ***(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?***

- To add maximum value for SMEs, PCWs need to present indicative pricing of loans, overdrafts and other products to SMEs based on the SMEs unique credit profile. As mentioned above at BFC.com or first priority has been on presenting SMEs with their likelihood of being accepted, we are now looking to enhance this functionality to include an indicative quote based on the SME credit profile. Remedy 3 will accelerate progress towards



this functionality by opening access to transactional level data which is key to assessing the SME creditworthiness and calculate bespoke quotations.

- With regards to presentation of indicative pricing we would present this as a personalised quotation for the SME subject to them completing an application.

***(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?***

- At BFC.com we have a fully operational PCW dedicated to SMEs which is helping thousands of SMEs a week compare their finance options. This success leads us to conclude that an SME PCW can be effective without the MiData project being extended. However as mentioned elsewhere in this submission Remedy 3 will accelerate the innovation of greater functionality within BFC.com to help SMEs compare prices more accurately.
- The use of standardised business profiles would enable effective comparisons for BCAs but as mentioned in our comments to Remedy 3, greater transparency of bank charges for BCAs will enable effective comparisons to be made by enabling the SME to enter their expected usage patterns, this has the added benefit of them seeing the impact of different transaction behaviour on the cost of their BCA. At BFC.com we have proven that SMEs are willing to enter information regarding their business financial usage (e.g. number of transactions etc.) as part of building a personalised comparison.
- The use of standardised business profiles can be derived for Start Ups to provide a high level comparison of costs. The reality for start ups is they will not know what their transaction behaviour is going to be so personalised comparisons will be impossible. A far more effective approach is the continued offer from banks of free banking periods for Start Ups and the remedies focused on ease of switching so at the point a start up has established a pattern of transactional behaviour they can compare BCA options.

***(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?***

- At BFC.com our view is that a PCW for SMEs needs to be commercially viable in its own right, this is the only way to achieve the innovation required to add value for SMEs. We would be concerned by the conflict created by providers funding a PCW and being involved in its development. Any investment by providers would need to be at arm's length in a truly independent PCW.

***(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?***

- BFC.com is not the only commercially operated PCW focused on SME banking services, there is a healthy level of competition amongst existing and emerging PCWs. There is sufficient incentive to provide comparison services to SMEs due the market opportunity. One of the limiting factors in operating a profitable PCW for SMEs is the lack of appetite for banks to list products on PCWs and/or to pay a commercially viable rate to acquire customers through the PCW channel. This is driven by the incumbency advantages banks have in acquiring SME customers. As the CMA investigation reveals, the majority of SME customers are originated by banks with little or no effort. This creates a vicious circle where banks do not see the value in PCWs as a source of acquisition so do not list on the available platforms making it harder for platforms to promote a full list of available products to SMEs. This market and commercial

dynamic is validated by the fact the large consumer PCWs have not invested to diversify into SME banking services, whilst some of them list products, the functionality of SME comparisons are limited. The consumer PCWs are highly profitable organisations and have chosen not to enter SME banking services due to the lack of pressure on providers to list their products

- If other remedies are successful and competition in the market increases, banks will be under greater pressure to acquire and retain customers and to compete to provide the best value service to SMEs which will increase the incentive for commercially operated PCWs.
- As mentioned in elsewhere in our comments, SMEs have very different comparison requirements to consumers so incentivising consumer PCWs to diversify and giving them an unfair advantage over emerging PCWs runs the risk of stifling innovation.

***(f) Were such a PCW to be established, what form of oversight would be necessary to ensure that its information was accurate and up to date?***

- We would recommend the same oversight is applied to SME PCWs as is for consumer PCWs. For example we would expect PCWs to be regulated by the FCA and with regards to information would welcome the introduction of an industry code of best practice. This is well established amongst PCWs comparing energy prices, known as the Code of Confidence with oversight from OfGem.

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

- The technical obstacles for the SME PCW are significant as the platform needs to be scalable, secure and have the depth of functionality to enable a profile of the SME to be built to present personalised matches to products. Technical integration is required with all finance providers listed on the platform to create a seamless customer journey for SMEs. Remedy 3 is a pre-requisite to easing and potentially accelerating PCWs ability to provide personalised quotes based on the transaction history of the SME. However at BFC.com we are already exploring other data integration methods to enable us to capture the transactional data required to create personalised quotes.
- We do not foresee any regulatory obstacles as the relevant regulatory bodies are already supervising consumer PCWs so this would not be a significant increase in scope.

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

- As presented we have already built, launched and continue to develop successful PCW for SMEs and believe this is the platform through which the effectiveness of other remedies can be tested with real user cases.
- We have an additional 6 month roadmap to integrate transactional level data from SMEs to enable enhanced personalisation of our product matching and comparison journey.

***(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?***

- At BFC.com we believe banks and finance providers should be required to disclose their full charges on all financial products and these should be made available to SMEs and intermediaries in a standard and easy to read format. A good place to start would be to emulate the Key Facts document used for retail mortgages. BCA banks should be required to disclose all transaction level charges and conditions relating to how these charges change depending on usage by the SME. There is huge variety in the metrics finance providers use to

present charges making price comparison difficult especially for SME loans. We would encourage the CMA to introduce a standard measure of the cost of finance for SMEs such as APR used for credit cards.

- At BFC.com we are already working with our finance provider partners to agree a standard for how price/cost information should be presented to SMEs to make the comparison process easier. We are exploring implementing a true cost of credit measure to enable effective comparison e.g. for £1,000 borrowed the total you cost to your business will be £1,500 over the term.
- We will defer to finance providers to answer the question of whether it is practicable to apply the requirements under the PAD to BCAs.

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

Our view is that the Business Banking Insight website is not easy for SMEs to find and is complex to navigate. When compared to well established and adopted quality measures used in consumer markets this solution seems over engineered and complex rather than enabling SMEs to directly rate providers based on service quality easily and at all times. We would propose an independent review service will be more widely adopted by SMEs and provide a simpler comparison of accounts by 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?***

- The key facets of service quality for SMEs vary depending on the business type and their usage of banking services. What Business Banking Insight does well is to enable an SME to filter results based on their sector, turnover and location. As mentioned elsewhere in our submission, SMEs value the opinion and feedback of peers who are operating similar businesses and have similar challenges when selecting finance products. We would encourage the CMA and Business Banking Insight to add this question into their next survey to get SMEs view on the key facets of service quality.

***(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?***

- We would suggest the only valid way to measure service quality is through open customer feedback both against key facets and verbatim. At BFC.com we have not seen evidence of providers publishing customer feedback of service quality and have not seen evidence of standard measures of service quality being in place.

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

- We would suggest the use of independent customer reviews will increase the reach of feedback across all measures to gain a greater representation of SMEs. There will always be challenges with the sample size for smaller or newer banks driven by customer volumes and propensities to provide feedback. In the case of SMEs, if the sample size of reviews are small they will ask for recommendations by word of mouth, ultimately the information available should be presented to SMEs for them to make a choice.

***(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?***

- As seen in the wider consumer market we would expect service quality information to be promoted to SMEs by finance providers through all channels as this will become a key marketing tool. We would expect there to be a minimum requirement to carry out independent customer reviews and present the results publically as a minimum via the homepage of the provider's website. PCWs will also contribute to the dissemination of this information by providing customer reviews and service quality rankings against products to enable like for like comparison.

***(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?***

- We do not believe there is a requirement to fund a third party to provide independent quality survey data, as there are several well established commercial organisations offering this service today.

***(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?***

- Service quality data should be collated from SMEs by an independent third party. Oversight of the integrity of the third parties in the collection of and dissemination of customer feedback is critical and could be provided by existing regulatory bodies focused on the correct presentation of information to consumers.

### ***Remedy 6 – Standardise and simplify BCA opening procedures***

We are supportive of standardising and simplifying BCA opening procedures and providing greater transparency to SMEs about the application process including what documentation is required. However, standardising the process is likely to stifle competition in the market and the potential for new entrants to bring innovation to the BCA application and opening process to drive competition. At BFC.com we are working with SMEs to measure the complexity and time taken in the account opening processes so this can be used as a facet by which SMEs can compare BCA options.

If standardisation is introduced we would encourage the CMA to make the process different for start-up account opening than for SMEs switching accounts. The current account opening process requires a lot of information not readily available to start ups (e.g. in some cases detailed business plans) which banks are using to try to establish the potential success of the SME and future profitability - information which is not strictly needed to enable the opening of an account.

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

- The focus of any common standard should be on agreeing the minimum level of information required to make a decision to open a bank account for a SME. As mentioned above in the case of start-ups, we would recommend that banks separate the opening decision from any overdraft decision, this may be more easily achieved by encouraging the introduction of basic BCA accounts as per the PAD in the consumer market. Our overarching feedback would be to ensure that the introduction of any common standards reduce the amount of information required by SMEs to open accounts.

#### ***(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?***

- Yes. This would add value to SMEs if they are able to recycle AML checks when considering a new provider or switching. As with the MiData initiative we would encourage the CMA to enable the market to innovate to build solutions in this area. There are several products available in the market which can conduct AML and KYC checks remotely and store this information securely so that with customer consent this could be accessed by prospective providers.

#### ***(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?***

- Yes. As mentioned above it must be made easier for start-ups to open a BCA and the application process and checking process should reflect this. The method of conducting AML and KYC checks is one of the barriers to making this process easier for SMEs i.e. it is typically a highly manual process.

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

- There is opportunity to streamline the AML and KYC processes as part of the overall account opening process for BCAs as both aspects require the SME to share data and information. There is significant innovation in the AML and KYC space which we would expect to streamline the process whilst maintaining the highest quality standards. E.g. OnFido, DirectID.

***(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?***

- As referenced above we believe the standardisation of account opening procedures would stifle innovation and increase barriers to entry for new entrants. Speed of application processing and account opening is a key differentiator especially for start ups. If the competitive element of account opening is removed this may also have a detrimental impact on the effectiveness of other remedies regarding the ease and speed of switching because the average will become good enough.

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

- We believe the remedies relating to encouraging the use of PCW for SMEs to compare BCAs will reduce the time taken to open BCAs as application processing time and account opening time can be used as a ranking factor. We would recommend that a remedy is for banks to have to disclose their average processing and opening times to enable these to be easily compared by SMEs.

***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***

We see this remedy being closely linked to Remedy 3 as without more open access to data through a secure transfer process, SMEs will find it difficult to use the data if it were made available. There needs to be a solution in place to enable this data to be accessed by the prospective new provider to assist the SME. The provision of this data seems fundamental to the process of effective price comparison as if this is not possible, SMEs should be made aware of the risk of switching BCA as it could result in loss of vital data and be detrimental to their business.

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

- Ideally in conjunction with other remedies (especially remedy 3) this transaction history data would be transferred to the new provider as part of the switching process. By enabling open access to transaction data, the history could be transitioned to the new provider, therefore removing the need for providers to hold archived information for previous customers. The risk for a SME is that historic transaction data may be required a long time in the future in the event of payment disputes etc. so we would suggest the period is set at the DPA period of 5 years on the basis storing the data would be for a reasonable purpose. This will have implications for providers as they will need to store data for previous customers and have a process in place to destroy this data after the agreed retention period has expired.

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

- In the interests of SMEs we would suggest that the data to be free of charge where it is ported as part of the switching process and to be available at a minimum cost where the data is required post switching. We would suggest the charging structure is set in a similar way to requests for Statutory Consumer Credit Reports which can be requested at any time for a fixed and standard cost of £2.

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

- Ideally all past transaction data would be available but some data may not be reasonable to retain under DPA principle.

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

- Yes. However this solution would only be practicable where the data can be easily transferred in a readable format to the new provider on behalf of the SME. Ideally through Remedy 3 an Open API would enable this data to be transferred in a standard format to an intermediary (such as a PCW) or to the new provider where they acknowledge receipt of the data and securely store this data on behalf of the SME. Without this there is an unintended consequence of passing sensitive data to SMEs who may not have the necessary knowledge and systems to store this data securely. SMEs may not see the value in being directly provided with their transaction history when switching accounts as it requires time and effort to make use of this information so the purpose of the remedy may not be solved.

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



- Ideally Bacs/CASS could be one of the intermediaries who could access transaction data on behalf of the SME and pass this to the new provider. This may require technical investment by Bacs/CASS to enable secure retention and transfer of this data.

***(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?***

- Our view is that the SBEE is complementary to this remedy as it is encouraging improvement in access to data held by banks on SMEs to create competition. There are technical obstacles that we have called out to enable historic transaction data to be handled securely and effectively without creating a burden for SMEs. One of the key regulatory considerations (albeit not an obstacle) is ensuring that SMEs consent is sought at all times, that transaction data is passed between third parties and enabling SMEs to have direct access to this data should they want to and where they take full liability for its retention and processing.

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

We have provided feedback on one element of this Remedy on the basis other parties are more qualified to comment.

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

- We are unable to comment regarding whether this remedy is of more relevance to consumers than SMEs. However we can confirm that SMEs use CPAs as payment methods, to pay suppliers etc. SMEs at the smaller end of the spectrum often operate their business account and finances as they would their personal accounts so will use all payment method available and likely accept all payments methods from their customers. As an example CPAs are an easy and flexible payment method for paying for subscription based services.
- As a specific example our business uses CPAs to pay 10+ different suppliers. We elect to use CPAs due to their flexibility and because some of our overseas suppliers are not set up to accept Direct Debits for recurring payments.

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

We have provided high level observations for this Remedy on the basis that other parties are more qualified to comment. Our comments are focused on the impacts to SMEs.

Our view from a SME perspective is that partial switching will only be a successful remedy where all other remedies are in place to ensure the process of switching is seamless. Introducing the complexity of partial switching services for SMEs should not be a priority.

***(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?***

- Larger SMEs or those with more complex businesses may see some benefit in partial switching as they will tend to have a primary BCA but use other BCAs for a specific purpose or for a trading entity within a group of companies. By introducing partial switching more complex SMEs may be able to benefit from specific services offered by banks at a better rate or with better service quality. For example a business with some overseas trading may want to partially switch to a provider with excellent foreign exchange rates and services but retain their primary BCA where they have the bulk of their business in the UK and enjoy the service they are getting.

***(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?***

- In the case of SMEs if you were to switch all payments and transactions to a new account and leave the old account open you may continue to incur fixed account charges on the old account. This commercial consideration would need to be made clear to SMEs as part of the switching process.

***(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?***

- We would expect this remedy (when all other remedies are in place to enable seamless switching) would result in more multi-banking customers looking to benefit from incentives across multiple providers (this is seen on a large scale with credit cards). One consequence is potentially more complex underwriting considerations for providers to assess the risk of a SME applying for and holding multiple BCAs to maximise their overdraft facilities.

***(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?***

- The seven-day period may be stretching for larger or more complex SMEs with multiple accounts. For example a large SME using several BCAs across multiple businesses and looking to switch all to a new provider (as bank relationships are typically managed at a group level). The period will also need to consider the requirements this puts on the SME themselves to provide the information required to switch.

***(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?***

- Yes. Currently banks tend to offer attractive switching propositions but only where the customer uses the provider as their primary bank account. It then becomes complex to determine how much of payment flow/business needs to transact through the account for it to be determined as primary and to gain the benefits. To be successful, banks would have to make very clear the criteria to qualify for switching benefits and there may need to be standards and policies in place to prevent banks from gaming the system and only offering full benefits for full switch or the potential for this to create even more complex charging and reward structures.

***BCA switching package as a whole***

***We invite views on the likely effectiveness of this package of measures overall, on additional measures that might be included or if there are particular remedies currently contemplated as part of the package that should be removed or modified.***

As outlined in our introduction BFC.com is an online marketplace that enables SMEs to compare the price and service quality of finance options in one place, find out their certainty of being approved and make an application in a single session. The remedies outlined will contribute to accelerating the development of the BFC.com market place to create a more frictionless SME customer experience and with that, increase competition in the market.

We believe the role of the CMA and providers is to create the highest level of competition in the market by making it easier for SMEs to compare and switch providers but this should not be at the expense of the SME experience (which must be easy, quick and seamless). The user case needs to be developed by independent parties who work with SMEs to help them compare their options and can provide input through the lens of the latest technological innovations.

In terms of overall feedback on the package of measures we would recommend a prioritisation of the measures based on those that will have the most positive immediate impact on the SME experience with consideration given to where the CMA and existing providers can be most influential.

Our recommendation of the prioritisation of remedies has been provided in the introductory pages of this response.

## **SME Lending**

### **Remedy 13 – Data sharing with credit reference agencies**

**The remedy would take the form of recommendations to HMT that it uses the powers it has under the SBEE Act to require banks to pass to CRAs such SME transaction data as will enable them to provide reliable credit assessment information in respect of loan applications. We note that draft regulations are currently being considered by Parliament and are therefore subject to change.**

BFC.com is working closely with HMT and the BBB on the initiatives relating to the SBEE act and welcomes the good work being done to improve access to credit for SMEs. In relation to the designated banks sharing data with CRAs we have three observations we believe the CMA should consider

1. The data being shared by designated banks is at an aggregated level so whilst it could be interpreted as providing reliable credit assessment information it is not as useful or accurate at providing transaction level data. We would not want the progress being made to share this data to be delayed but believe the CMA should consider this in the context of Remedy 3 – it feels like a natural progression.
2. The existing rules of reciprocity within the CRAs user groups restricts PCWs from accessing this data to help SMEs compare their finance options through personalised comparisons or to enable the SME to find out their certainty of being approved. We believe this is restricting competition.
3. By passing the data to a CRA rather than making it directly available to companies wanting to consider a loan application from a SME there is a commercial consequence. As the middle-man the CRAs are permitted to charge users of the data to access it. There is a small risk that competition is restricted should the commercial rate for use of the data be prohibitive.

#### **(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?**

- No. There is a well-established process in place in the consumer market to gain customer consent to share data through CRAs. This is usually covered by the T&Cs in place when the customer applies for a finance product from their original provider. We would expect the sharing of this data to already be permitted under existing provider T&Cs.

#### **(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?**

- Yes this measure alone will only enable finance providers to more easily access finance applications, it will not prompt SMEs to seek alternative sources of lending. Under the SBEE act HMT are introducing legislation where designated banks will be mandated to refer any declined SME applications to finance platforms who will present them to alternative finance sources. We expect the promotion of these finance platforms will increase propensity for SMEs to consider a broader set of finance options. This remedy will need to be accompanied by remedies similar to 1 and 2 but as already stated only when an effective solution for SMEs to compare their options benefiting from the data shared by designated banks is in place.

***(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?***

- Data available through CRAs enables other lenders to see where a customer has made an application when they are reviewing an application from that customer. In theory these credit search ‘footprints’ could be made available for the purpose of alternative lenders identifying a prospective customer list based on where the customer applies with a bank. However this user case is not covered by the terms and conditions in place with customers so would require additional consent to be put in place and may not create a good user experience.
- Our view is that the only way to remove the advantages enhanced by incumbent banks is to break the inertia of customer access. Remedies similar to 1 and 2 may help to achieve this but ultimately this inertia can only be broken once alternative lenders can assess customers on a level playing field (open data) and where PCWs can provide personalised comparisons for customers to consider a wider range of providers. To break the inertia you need to intervene before the point a SME applies with an incumbent bank to make sure they consider all the options available and make an informed decision of who to apply with.

## ***Remedy 14 – Commercial open data and data sharing proposals***

***The remedy would build on existing HMT initiatives to establish commercial networks through which commercial information could be shared between SMEs and financial services providers.***

BFC.com represents a credible commercial network through which commercial information is already being shared between SMEs and financial services providers. BFC.com is focused on using this data to connect SMEs to finance providers without the SME having to handle the data themselves. The process of applying for business finance is complex enough without introducing additional data for SMEs to consider. We are proving that SMEs are happy for us to use their data to do the hard work for them and find them the best finance, tell them if they will be approved and help them to apply.

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

- We have not yet been invited to be part of the working groups on the ODI but based on the entities on the committee and progress with similar initiatives such as Midata we would estimate a minimum of 2 – 3 years until this initiative is usable. The technical build of a solution could be achieved in a far shorter timescale but we would factor in the speed of banks' internal processes rather than the amount of time needed for technical implementation.
- This initiative can be dramatically accelerated by engaging a wider range of Fintech platforms who have SMEs at the core of their business. For example we have built an SME PCW which enables SMEs to see if they will be approved.
- Without full visibility of the work plan for the Open Data Initiative it is hard to assess when the initiative will have evolved to a point where there is an effective means for sharing business data. We would urge the project team to phase the introduction of data sources being given open access. For example transaction level data should be prioritised before attempting to agree common formats for business plans and forecasts and adding them to the open access list. Without a phased approach of steady release and testing there is a risk the project never materialises as other initiatives take priority.
- We observe a risk as a result of the existing working group membership which is that the Open Data Initiative is likely to be designed by banks, rather than a broader group of interested companies – which may result in a skewed solution that suits banks rather than the broader market and therefore SMEs.

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

- The report for HMT on Open Data and Data Sharing for Banks does an excellent job of outlining the obstacles to be overcome and we concur with the report's assessment. Namely that the technical and economic obstacles to banks providing open access through APIs are more related to sometimes slow internal processes rather than the time it would take to build the technical solution itself.
- From a regulatory perspective there should be no obstacles as the use of open data is perfectly compatible with both the Data Protection Act (DPA) and the principles of privacy so long as it is implemented with consideration of the DPA principles. The time required for implementation can be significantly reduced by the banks seeking independent guidance on technology, security and data protection standards to ensure data sharing meets all legal requirements and delivers a solution which benefits SMES as the end user.



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

- For banks, open data should enable them to streamline application processes and reduce overall acquisition costs. As outlined earlier in our submission, open data is in conflict to the current incumbency advantages that banks have when competing for SMEs which is why we are supportive of open data sharing being part of the SBEE act.

***(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?***

- As outlined elsewhere in this submission we do not think it is practicable to expect SMEs to use the services directly. Open data through APIs will require vetting of the parties using the data, Opening up significant volumes of detailed data directly to SMEs is likely to be a burden and not contribute to the overarching objective of increasing access to finance for SMEs and improving competition. Finance providers and intermediary experts need to help SMEs by leveraging this data as part of a customer journey which helps them find the best finance for their business and give them a positive result by using the data e.g. a personalised comparison and ultimately a better rate and/or quality of service.
- We would expect PCWs to be working closely with banks to contribute to the requirements of the Open Data Initiative and help to test the developments with real user cases to enhance the customer experience. It would be even better if PCWs were part of the ODI working groups and could help shape the user cases for the data and inform the design. In terms of promotion of open data services we would expect all innovative and credible PCWs to be aware of the opportunity and be pushing for the initiative to be accelerated. Promotion to SMEs would be effectively funded through platforms (PCWs) enabling comparison or by competing banks / lenders in the form of promoting savings and improved service quality that can be achieved by considering a wider range of lending options and providers. Because open data enables more personalised comparisons through a more frictionless customer journey the service itself does not need to be promoted it will be the positive outcomes created that we would expect to be promoted by PCWs, Finance Providers and by SMEs through peer review.

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

***Loan providers would be required to make available on their websites a tool that would permit SMEs to enter the amount they wished to borrow and over what period, together with either their credit rating or questions which would enable the provider to assess their creditworthiness, and for the provider to give an indication as to whether, and if so on what terms, they would be willing to make the loan.***

BFC.com is supportive of this remedy but we do not see the value in loan providers being required to have this tool on their websites as it does not improve the process for an SME to compare the options available because they would still be required to visit multiple websites and repeat the process of providing the required information with each website. At BFC.com we already offer this functionality to SMEs and it is used by thousands of SMEs a week. Through a single customer journey we enable the SME to get an indication of which lenders would be willing to accept their application and we go one step further by enabling them to calculate the certainty of them being accepted in percentage terms e.g. you are 80% likely to be accepted.

We are able to do this because we have developed a secure and highly configurable decision engine which enables us to process lenders credit policy within our platform and essentially pre-assess the SME against multiple lenders based on the SME creditworthiness. This credit worthiness is established from asking the SME a set of standard questions and collecting detailed credit data from third party sources (including CRAs and companies house).

We would highlight several challenges with the proposed approach of requiring loan providers to make this service available through their own website in the way described:

1. As identified in the CMA investigation, the application processes of some providers are complex. In reality the majority of finance providers (especially banks) would not be able to give an indication of whether they would be willing to make a loan to a SME without completing a near full application which is currently not practicable through their websites. For example the majority of banks still require an appointment with a member of staff before an application can be submitted.
2. Without introducing a standard for the questions/data required to return an indication of approval through finance provider websites there is a significant risk that each service varies resulting in an additional step for SMEs pre-application actually adding complexity to the customer journey rather than removing it.
3. The majority of SMEs do not know their credit rating so the service needs to be able to call CRA data to return the credit rating on behalf of the SME. This requires technical integrations which add complexity to the solution and may delay implementation and be a barrier for some finance providers.

We are concerned that this remedy will prevent competition in the market rather than encourage it. Being able to provide SMEs with confirmation of whether they qualify before they take the time to make a full application is a huge differentiator for finance providers. It drives competition and innovation amongst finance providers to remove complexity from their application processes and improve the speed and accuracy of their decision making. By standardising this approach you remove an element of competition.

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

- We do not foresee any regulatory obstacles. There is a significant technical obstacle for some finance providers which is that their underwriting processes are not automated sufficiently to enable them to present a pre-qualified offer to an SME through an online journey or with the speed required to make the service valuable to the SME. Therefore the lead time for implementation is not in the introduction of the tool to the finance provider's website but in them re-engineering their application and credit underwriting processes. Depending on the finance provider this process could take years.
- BFC.com would be willing to offer access to its technology to all finance providers should this remedy be introduced which would significantly accelerate its implementation.

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

- A phased approach could be taken to implementing the remedy and we would expect this to be more practical for some providers. In practice the remedy is only going to be effective if it is introduced across all available SME products. To ease the burden of implementation we would recommend the remedy is applied to loans below a threshold amount e.g. £50,000. For higher loan amounts the underwriting and application process required is more thorough and pre-qualification is harder to achieve where business plans and due diligence may be required.

***(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 mentioned above we would suggest a standard would be required to prevent confusion for SMEs. However it is far more complex to introduce a standard across loan providers due to the variation in underwriting policies used by each provider. Agreeing to a standard approach will delay implementation and as outlined there are independent platforms better placed to provide this service across multiple products and providers in a single customer journey.

***(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?***

- Our research and feedback from SMEs using BFC.com shows that providing certainty of approval is hugely valuable to SMEs. Until application processes are significantly improved finding out if it is worthwhile making an application is the number one priority for a SME as they compare their finance options. BFC.com offers this service to SMEs today.
- In terms of obligations on finance providers in the event of withdrawing an offer we would strongly recommend the CMA review the well-established pre-qualification processes used in the UK credit card market. Provided there is transparency for SMEs as to how the pre-qualification has been undertaken and the conditions associated with an offer. To incentivise finance providers to provide the service to SMEs and restrict the circumstances under which offers can be withdrawn could have the unintended consequence of resulting in irresponsible lending by prevent the provider from withdrawing offers on the basis of a change in circumstances.

***(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. We would prioritise this aspect of Remedy 15 above everything else as it is the key factor that is preventing SMEs being provided with greater transparency when they wish to compare finance options. The opaqueness of terms and fees is restricting the number of SMEs who choose to compare their finance options. Terms are complex and for some providers can be negotiated at SME level adding complexity to the application process and resulting in incumbency advantages because terms are so complicated it requires a relationship manager. As mentioned elsewhere in our submission providing loan terms in a format similar to the Key Facts document but upfront to summarise terms in a standard form would add value to SMEs.

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

- We would expect the promotion of these services to be self-funded by providers themselves and by PCWs who have a service to enable SMEs to find out if they qualify for multiple products through a single and simple customer journey. As seen in the consumer finance market if a provider enables customers to find out if they qualify before making a full

application this is a differentiator and will be promoted throughout the providers marketing messages.

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

- We would expect monitoring and enforcement to be overseen by the FCA and with marketing communications governed by the FCA and FSMA.

### ***The SME lending package as a whole***

***If the package as a whole was adopted it could enable the development of intermediary businesses that would allow SMEs not just to access data to compare alternative loan products and perhaps make an application on one site, but also to post their loan requirements on that site.***

BFC.com provides this service to SMEs today with great success. We access data on behalf of SMEs and enable them to compare alternative loan products based on their personalised credit profile. This profile includes their loan requirements and enables them to identify which lenders and products they qualify for and calculates their certainty of being approved.

We are currently testing a beta version of BFC.com that enables the SME to make a full application for multiple products/providers through the same customer journey – all in less than 10 minutes.

The primary remedy which would accelerate the adoption of this service by SMEs and enhance its effectiveness even further is the sharing of transaction level data (Remedy 3) to enable personalised comparisons for BCAs and a loan decision to be made within the BFC platform. In addition within Remedy 15 the recommendation to mandate that banks expose their terms and rates in a standard format will enable us to provide a more granular and personalised view of costs to the SME.