



Retail Banking Market Investigation
Competition and Markets Authority
Victoria House
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Dear Sir/Madam,

RETAIL BANKING MARKET INVESTIGATION

We welcome the opportunity to respond to the consultation to the Retail Banking Market Investigation.

Our submission is based upon the premise that the CMA has not yet fully met its terms of reference and therefore we propose that as part of the final recommendations, the issue of the withdrawal of business current accounts (BCAs) to SMEs is also considered.

We also present new evidence as to why this issue should be addressed within the CMA's market investigation terms of reference.

The provisional findings documentation correctly states that the CMA's terms of reference is broad:

In relation to SMEs, our terms of reference are broader and enable us to look at competition issues covering a wide range of banking services to SMEs but excluding insurance, merchant acquiring, hedging and foreign exchange.

As a consequence, the CMA has received detailed evidence that banks are withdrawing BCAs from whole business sectors creating distortions in competition policy and discriminating negatively towards SMEs.

However, on 16 October 2015, Paul Jackson of the CMA informed the National Pawnbrokers Association (NPA) in writing that despite the broad nature of the terms of reference, the CMA would not investigate this matter:

The reason for this decision is that we have not to date seen strong evidence that the segment of the market with which you are concerned is specifically being under-served due to any particular barriers impeding competition between banks, which would be the main reason for the inquiry to consider this.



We note that the original terms of reference refers to competition issues in respect of provision of services “to” SMEs and therefore the communication of 16 October narrowed what was intended to be a broad terms of reference.

However, the 16 October communication also refers to a lack of evidence that money service businesses (MSBs) were being “under-served”. We are now able to provide new evidence, which was not available at the time of our original submissions to the CMA which proves that the money service business (MSB) sector is under-served.

In an HM Treasury/Home Office report of October 2015 it is stated:

The withdrawal of banking services from parts of the MSB sector is perhaps the most advanced and high-profile manifestation of de-risking that we have witnessed in the UK. Whilst the terrorist financing risks within the MSB sector are assessed as high, it is worth noting that there are a number of developing countries, most notably Somalia and Afghanistan, which rely heavily on remittances from the UK and elsewhere largely due to their weak or non-existent formal banking systems. De-risking is having a particularly acute impact on Somalia given the vital importance of remittances to its economic development, the opaque nature of the money transfer process which relies on Hawala (trust-based system) and banks’ concerns that the funds could end up in the hands of Al-Shabaab, a designated terrorist organisation. If MSBs are unable to access banking services from UK banks, money remitters will become increasingly reliant on cash, which may increase the terrorist financing risk within the sector.¹

Therefore, as this report from HM Treasury/Home Office states, despite the best efforts of MSBs who are abiding by UK and international legal norms, banks are withdrawing accounts. We believe this, in itself, is new evidence of the sector being “under-served” despite the work of MSBs being clearly supported by two Government departments who warn of the negative consequences for the country if this trends continues.

The Chancellor of the Exchequer also acknowledged the serious nature of the withdrawal of bank accounts to a key business sector:

I am concerned that often these decisions appear to be taken about a whole sector, rather than customers being assessed on a case-by-case basis.²

This statement again serves to confirm the NPA’s contention in our submission, as well as other representations received by the CMA, that the MSB market is “under-served”. The statement also can be seen in the context of “*particular barriers impeding competition between banks*” as clearly barriers must exist to lead to this form of action being practiced by banks.

¹ UK national risk assessment of money laundering and terrorist financing, HM Treasury/Home Office, October 2015 (para 11.32)

² Letter from the Chancellor of the Exchequer to a constituent dated 2 September 2015



The Government also recognised this trend in 2013. In a Westminster Hall debate of 17 July 2013, Mr Javid acknowledged concerns that banks were withdrawing facilities to money service businesses and added that HM Treasury were working to “*try to find solutions that do not mean extensive business closures*”.

We acknowledge that the Westminster Hall debate, by itself, is not new evidence but it does confirm that the sector is “under-served”.

We can also confirm that we have written evidence from three banks pertaining to the withdrawal of service provision for the MSB market. This confirms, we contend, that this demonstrates that the MSB market is being under-served. We are happy to provide this written evidence to the CMA.

May I confirm the statements contained in our earlier submissions to the CMA that decisions are being made towards customers to close accounts which has no clear rationale. Not only are businesses not informed of the reason for the closure but we are aware of cases where the banks instigate anti money laundering compliance assessments which customers pass and subsequently, at a much later date, these accounts are earmarked for closure. This again addresses the issue of MSBs being under-served.

These conclusions confirm the findings of a number of trade associations, including surveys undertaken in 2014 and 2015 by the National Pawnbrokers Association that bank accounts are being withdrawn across business sectors rather than banks considering each customer on a case by case basis. The CMA are already in receipt of our 2014 data and we are attach the 2015 data with this submission.

We would be happy to meet with you and your colleagues to discuss this matter further.

Thank you for your consideration.

Yours faithfully,

James Watkins
Public Affairs Manager