

Project Manager,  
Retail banking market investigation,  
Competition and Markets Authority.

Non-confidential version

7 January 2016

Dear Sir,

### **Invitation to comment on additional remedy suggestions**

I write to provide some comments in respect of the CMA's invitation of 18 December 2015. As stated in my previous submissions and roundtable discussions I do not believe that the totality of the proposed remedies outlined by the CMA on 22 October 2015 will have anything other than a marginally superficial impact on the effectiveness of competition in UK markets. I will not repeat my previous comments but continue to hope that the CMA's final recommendations are significantly enhanced and contain much more meaningful measures which will serve to create a genuine level playing field in UK banking.

#### PCA Overdraft customers

It is very hard to argue with the Financial Services Consumer Panel's suggestion that unarranged overdrafts are a form of short term credit. By definition these are not longer term loans and are expected to be repaid within a twelve month period. They are also high cost. Mathematically it is perfectly possible for APRs on unarranged overdrafts to be higher than those charged by payday lenders. As such I support the view that this form of credit should be subject to the same regulations as other forms of short term high cost credit, which include pricing caps.

I agree with the view that lenders should not provide credit facilities to consumers who have not actually requested these. As such I support the RBS recommendation in this respect. It will be important that if such a measure was introduced control mechanisms are created to prevent banks simply amending their account opening documentation to state that it is assumed customers want an unarranged overdraft unless they specifically state otherwise.

#### Other suggested remedies

I agree with the general view from the CMA and many contributors that the UK banking market is opaque, lacks transparency and consumers have difficulty in easily accessing data that allows them to adequately understand the true cost (actual and implicit) of their banking.

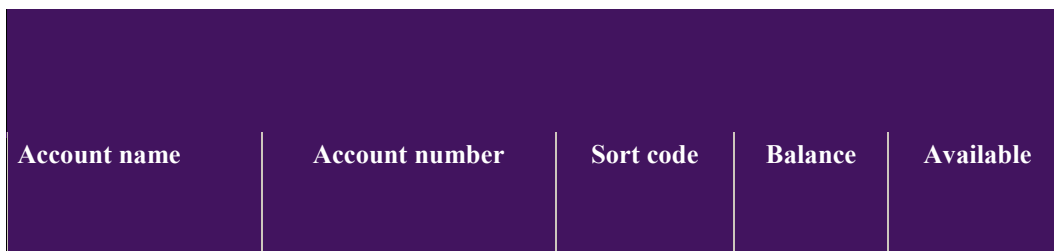
As such I am generally supportive of the measures proposed by Tesco, TSB and Virgin.

The implicit cost of maintaining a 'free if in credit' current account will progressively increase as base rates rise. The difference between a base rate of 0.5% and 5% is 1000% which highlights the potential magnitude of this issue. This will negatively impact consumers and further enhance the immense funding cost advantages enjoyed by the Too Big to Fail banks due to their utter dominance of the PCA and BCA markets. I believe Virgin's proposals that credit interest should be paid at a minimum rate is one potential remedy that would give consumers a better deal whilst addressing some of the competitive imbalances. The minimum level of credit interest would need to be meaningful, say at base rate, in order for it to be an effective remedy.

In the context of providing consumers with more information so as to drive behavioural changes to give them better outcomes I regret to note that in my experience a worrying volume of communications from banks (and other service providers) are completely ignored by consumers. Increasingly banks no longer send paper statements to customers relying on them to access these online instead. Sizable populations of customers do not routinely access this information. So whilst I support the general thrust of the proposal from TSB to provide a monthly invoice I fear this and the documentation arising from PAD, will be ignored by very significant volumes of consumers thereby reducing the potential impact of this proposed remedy.

The CMA has raised concerns about opacity and a lack of transparency in UK Banking. The FCA has echoed these sentiments in their Cash Savings Market Review. With ever increasing volumes of banking being done online I think that the proposal for TSB can be enhanced. I believe that substantial measures are required to address the CMA's concerns by making it as easy as possible for consumers to determine the true cost of their banking inclusive of the explicit and implicit elements. I therefore propose;

1. A monthly invoice / statement should be provided as proposed by TSB. As a minimum this should be communicated by e-mail and text message.
2. The screen shot below is from one of the major High St Bank's internet banking summary page. The addition of two additional fields would make a significant improvement to the provision of timely and relevant information. The first additional field should detail the rate of credit interest being paid or debit interest charged on current and deposit accounts. The second field should state the month to date cost of the current account (explicit and implicit). This information should be disclosed on the customer summary page of all online banking channels including PC, Tablet, Mobile Device and Apps. The enhanced disclosures should be mirrored in paper forms of bank statements etc.



Account name	Account number	Sort code	Balance	Available
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I am happy to discuss these ideas in more detail if that would be of assistance.

Yours faithfully

**Paul Lynam, ACIB, AMCT, Fifs**  
**Chief Executive Officer**  
**Secure Trust Bank PLC**