BARCLAYS

NON-CONFIDENTIAL VERSION

Competition and Markets Authority

Retail Banking market investigation

Invitation to comment on additional remedy suggestions

Response on behalf of Barclays Bank PLC

13 January 2015

BARCLAYS

[✂]

Barclays welcomes the opportunity to comment on the various additional remedy suggestions set out in the CMA's invitation to comment of 18 December 2015. In general, Barclays is supportive of providing transparency, control, and timely information combined with an ability to act to consumers and SMEs. However, it does not consider remedies are warranted where they do not deliver these objectives (as set out below).

Barclays has previously provided comment in relation to the effectiveness and appropriateness of potential remedies in its written response to the Provisional Findings and Notice of Possible Remedies published by the CMA, as well as at the Industry Roundtable in December, and refers the CMA to these submissions[1].

As to the package of remedies proposed by the CMA in its Notice of Possible Remedies of 22 October 2015, Barclays is in general supportive of measures that help consumers and SMEs to compare, make informed decisions, and take action in relation to their PCAs, BCAs and SME lending. In particular, the package of measures that drive the awareness of, and confidence in, the switching service, coupled with an enhanced MiData/Open API proposition will be most effective.

1. Standardisation of pricing structures

1.1. Standardising pricing structures[2], on the assumption that it would better equip and enable customer comparison, risks stifling innovation and inhibiting product and proposition development to the detriment of customers. Indeed, had overdraft pricing structures been standardised and fixed across the industry in 2014, the constrained, rigid structure would have prevented Barclays redefining its Strategic Overdraft proposition (which led to better outcomes for customers via: greater visibility, transparency and control of account balances and overdraft fees through the use of real-time SMS alert notifications of a potential unpaid event; clearly defined daily overdraft charges; and a grace period within which to take action and avoid charges). In addition, Barclays introduced its Emergency Borrowing proposition as an alternative to unarranged overdrafts; providing customers with the option to opt into a clear and transparent service.

2. Price controls

2.1. Barclays does not consider that any form of intervention through price controls would be justified in this case.

2.2. The provision of overdrafts by a PCA provider could be viewed as predominantly a risk based decision, hence the introduction of overdraft price capping[3] could result in the

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1 See Barclays' response to the Provisional Findings Report and Notice of Possible Remedies, dated 20 November 2015.

2 CMA invitation to comment, paragraph 6(a).

3 CMA invitation to comment, paragraph 6(b).

unintended consequence of reducing the availability of credit for certain customer segments as providers review their participation choices and / or may have the unintended consequence of imposing commercial barriers to new entry within the PCA market overall.

2.3. [✂] Hence, providing propositions with appropriate transparency, control and the ability to act helps improve customer engagement and is a more effective and proportionate route to delivering the desired customer outcomes.

2.4. On the claimed linkage between overdrafts and high-cost short-term credit, in line with materials and market research previously shared with the Competition Commission and the CMA, Barclays is of the view that whilst payday loans may share some characteristics with overdrafts there is minimal substitution between these two products[4]. Barclays' view is that the distinction is even more pronounced for unarranged overdrafts and hence extension of the high-cost short-term credit price capping provisions becomes less relevant.

2.5. The CMA's own customer research[5] highlights that what is important to one customer when selecting their PCA is different to another. There is a range of interest bearing and rewards-based PCAs available and consumers have the opportunity to select one or more of these products if they reflect their needs and preferences. Requiring all providers to pay a minimum level of credit interest on PCA balances[6] could inhibit innovation at the expense of customer choice and preference. PCA providers are freely able to offer credit interest on some or all accounts and rewards-based accounts are now a permanent and material feature of the PCA market following their emergence in recent years, representing a competitive characteristic of the market and providing choice for consumers.

3. *Traffic light comparison*

3.1. Similarly, although a traffic light based system[7] may be a helpful comparison tool in the grocery sector, one in the PCA sector that provides information purely on three components of cost would not take into account the breadth of other service and proposition factors that inform a consumer's choice of PCA provider, and therefore would not constitute a valid account comparison tool for PCAs. As the CMA's own research highlights; different features of a PCA are important to different customer segments, so a traffic light system may be overly standardised and simplistic and

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4 Barclays notes the CMA's decision in its payday lending market investigation not to include products other than payday loans within its definition of the relevant market, "due to the weak competitive constraint that other products impose on payday lenders"- see paragraph 5.79 CMA Payday Lending Market Investigation Final Report.

5 See GfK PCA Customer research (commissioned by the CMA), report published April 2015, paragraph 4.7.5.

6 CMA invitation to comment, paragraph 9(c).

7 CMA invitation to comment, paragraph 9(a).

therefore less helpful for an individual consumer. Also, as the CMA has observed[8], the significant degree to which an individual's account fees and charges are impacted by their unique account usage behaviour requires comparisons across providers to be performed for each individual consumer. This fundamental reality would lead to a disproportionate and extremely operationally complex system; the desired customer outcomes would be better served through the CMAs existing package of remedies.

4. Other suggested remedies

4.1. As previously stated, Barclays is, in general, supportive of measures to increase transparency and awareness of account usage for customers, for example through real-time SMS notifications. Such measures are most effective when combined with the ability for a customer to seamlessly take action, for example through the provision of grace periods together with the ability to transfer funds via mobile banking. However, building on the observations from the FCA's 2015 study into the effectiveness of Annual Summary Statements, Barclays questions the efficacy of bombarding customers with frequent messages on monthly statements.

4.2. Equally, Barclays is supportive of measures to give customers additional control; whether that be through real-time alerting on entering an overdrawn position or a specific overdrawn amount, or through obtaining explicit customer consent to opt-in to unauthorised borrowing.

4.3. In ensuring the effectiveness of any package of remedies, Barclays re-iterates the need for the CMA to consider the broader initiatives and regulatory changes that will impact the industry in the near-term to ensure that individual initiatives have sufficient focus and the resultant package of initiatives is clear and avoids confusion from a consumer perspective. Hence, Barclays highlights the need to consider existing solutions (such as MiData) and associated potential enhancements (through the Open Banking APIs and PSD2) ahead of possible additional and separate remedies such as a Credit Passport[9].

4.4. Barclays also re-iterates the need for all remedies to be grounded in detailed consumer research and their efficacy evidenced through customer testing and piloting.

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8 See Provisional Findings report, Appendix A5.4-2, paragraph 6 (22 October 2015).

9 CMA invitation to comment, paragraph 6(f).