

**LLOYDS
BANKING
GROUP**



LLOYDS BANKING GROUP PLC
CMA RETAIL BANKING MARKET INVESTIGATION
Comments on the CMA quantitative and qualitative
research results published on 7 March 2016

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1. The CMA recognises that the effectiveness of some of the possible remedies set out in the CMA's Notice of Possible Remedies and the Supplemental Notice of Possible Remedies may be affected by the manner in which they are implemented and that customer research could be undertaken to inform judgements about whether to take forward particular remedies as well as how they might be designed.
2. **Testing and trialling propositions** or different scenarios in the field is the most robust way to predict customer behaviour. The CMA acknowledges this in its provisional decision on remedies in the Energy market investigation, where it found that:

*"Our proposed remedies therefore call for a more evidence-based approach to developing such interventions in the future, through the use of rigorous testing and trialling, where appropriate through Randomised Controlled Trials, with a recommendation to focus such trials on a shortlist of measures. If such trials are to provide relevant information that can provide a robust basis for regulatory changes, it is essential that suppliers be required to participate, where the trial design requires it, and our remedies therefore seek to ensure such participation."*¹
3. This is important as it allows customers to make their decisions in the context in which it would naturally happen. Where field trials are not feasible, the use of other carefully designed behavioural experiments can be useful in understanding behaviour.
4. The robust evidence from behavioural trials and experiments cannot be substituted with unreliable qualitative, quantitative or literature review evidence, such as the recently published Bacs research paper on customer engagement in the current account market².
5. Customer behaviour is hard to understand. Theorising about potential outcomes cannot replace evidence-based approach through rigorous testing and trialling.
6. This means that to ensure effectiveness of any remedies the CMA should set out potential interventions that might address the AECs and then establish an appropriate trials programme with the right governance framework to establish the most effective remedies. While such a trials programme will be iterative and take some time to complete, it will allow the CMA to implement initial versions of the remedies quickly. These can then be refined through the trials programme.
7. The qualitative and quantitative remedies research the CMA published on 7 March 2016 do not provide robust evidence for the CMA's investigation. LBG would be very concerned if the CMA were to use the wholly unreliable findings from these pieces to draw any conclusions.
8. **The qualitative research** is profoundly **unsuitable** for use as evidence to support **any conclusion** on the CMA's proposed remedies. This is because focus groups can easily be biased, and some areas of customer insight simply cannot be reliably established via

¹ CMA: Energy market investigation: Summary of provisional decision on remedies, para 96.

² Bacs: Consumer engagement in the current account market – Why people don't switch current accounts, March 2016

these techniques. The reasons for this are detailed in a paper by Frontier Economics submitted to the CMA in November 2014³.

9. The role of the qualitative research such as Optimisa Research's *Informing the development of communication tools designed to increase consideration of switching among PCA and SME customers* should be strictly limited to supporting a creative process that generates ideas about how the communication tools might be designed.
10. The ideas generated in the creative process must then be tested using **robust behavioural research techniques** such as carefully designed randomised control field trials or appropriate laboratory experiments.
11. The **quantitative PCA omnibus survey** and the **quantitative SME omnibus survey** results are unreliable. This is because the survey, by design, lacks psychological validity:
 - (a) The research is conducted as a part of an omnibus survey. This means that responses are necessarily influenced by the framing, priming and anchoring effects that arise from the questions that are asked before the relevant PCA or SME remedy questions.
 - (b) The research makes no attempt to control for the context. Customers do not make their bank account switching decisions while standing at their front door talking to an interviewer. Contextual influences and emotions are extremely important in decision making process and the context in which the decision is made is pivotal to its outcome.
 - (c) Many of the questions are hypothetical in their nature. It is unreasonable to expect customers to be able to give meaningful answers to questions about what they might do in the future.
12. These serious shortcomings in the survey methodology mean that the CMA cannot rely on the findings of these surveys or attach any evidential weight to them in framing the provisional remedies.

³ How behavioural economics can improve customer research in retail banking markets, November 2014, Frontier Economics. (https://assets.digital.cabinet-office.gov.uk/media/5492f79340f0b602410002f4/Frontier_Economics_initial_submission.pdf)