



## **CMA RETAIL BANKING MARKET INVESTIGATION: SUPPLEMENTAL NOTICE OF REMEDIES**

### **Background**

Yorkshire Building Society (“YBS”) Group welcomes the opportunity to respond to the additional overdraft remedy suggestions from the CMA as part of its Retail Banking Market Investigation (the Investigation). YBS is owned and governed by its members and is Britain’s second biggest building society with 3.1 million members. In 2015, the Society grew total assets to a record £38.2bn.

Our primary business areas are deposit-taking activities, mortgage sales and administration and mortgage related insurances. We operate via a number of distribution channels including branch, telephone, postal and the internet. In terms of the personal current accounts market, YBS Group offers personal current account (“PCA”) services through its Norwich and Peterborough Building Society (N&P) brand. This service from N&P has been a longstanding proposition with a base of around 100,000 customers, 86% of which are from within the N&P heartland of East Anglia and Lincolnshire.

### **Introduction**

YBS Group has concern with the lack of transparency in charging structures - particularly with regard to unplanned overdrafts. These concerns have been stated before, but shall be returned to on this occasion.

Many of the dominant providers use overdraft fees and charges - which are not readily transparent or understandable, and which are not a key factor in the decision making process for customers selecting a current account provider - as a key source of revenue and use this revenue to effectively cross-subsidise other products and services in the market. Some of these fees and charges are significant and there is a risk they could represent poor value for customers. They are potentially also incurred by those customers who are least able to afford them, this being particularly the case for unplanned overdrafts which we believe still represents a significant proportion of some PCA providers income from the product which they then use to offset loss-leading acquisition pricing. In some cases, the costs of overdraft fees are greater than interest charged by payday lenders. Potential remedies could include mandating that overdraft pricing must be based on interest only and not fees which would avoid a small number of customers providing the greater proportion of the revenue for providers. An alternative would be to force banks to show a very visible APR for planned and unplanned overdraft lending (to include fees) which currently they do not do.

### **Overdraft remedy 1 - Prompts and alerts to inform customers of imminent and actual overdraft usage and charges**

There is a value to these, and they are already offered by many across the market. However, as customers may already be at the proximity of incurring a charge, not choosing a provider, if they cannot avoid incurring the charge they have already passed a decision point where they could have changed the outcome (when they originally opened an account, a decision made many years previously often).

### **Overdraft remedy 2 - Measures to encourage PCA customers to make an informed choice on their overdraft options**

YBS Group supports this proposal.

### **Overdraft remedy 3 - suspension periods for unarranged overdrafts**

YBS Group strongly supports this proposal. It is clear from the available evidence that this measure will make a significant positive impact for particularly customers with lower levels of financial capability, or circumstances which would in any case make this preferential for their needs.

### **Overdraft remedy 4 - a monthly maximum charge for using an unarranged overdraft**

The N&P brand current account already has a maximum cap in place. The Group believes customers risk not getting good value from their account and the issue of cross-subsidisation by major banks is of concern.

The concern with this specific remedy is that monthly charges are complex and can become large cumulatively. Applying a cap to one element will not as a result necessarily achieve the objective of the remedy. Increased transparency could achieve the desired result, as if required to show the headline maximum monthly charge banks will likely reduce it to avoid appearing out of step.

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