



**Retail Banking Market Investigation**

**CMA working paper: "The role of comparison sites for small and medium-sized enterprises in addressing the adverse effect on competition", 7 March 2016**

**Response on behalf of Barclays Bank PLC**

**21 March 2016**

[X]

## 1. Introduction

- 1.1 This submission is made on behalf of Barclays in response to the CMA's working paper on the role of comparison sites for small and medium-sized enterprises (the "**PCW Paper**").
- 1.2 In its response to the CMA's notice of possible remedies<sup>1</sup>, Barclays stated that there are a variety of approaches that could be used to create a PCW, including a market driven approach wherein the creation of a set of APIs could be promoted directly to the FinTech community resulting in a range of competing comparison tools. The 'challenge-funded' approach, as per the Nesta solution, could potentially act as a catalyst to this, providing additional encouragement, structure and help in the development of these comparison tools. Therefore, Barclays agrees with the CMA that the Nesta Challenge Prize offers a prospect for bringing PCWs to a sustainable position by encouraging innovation within a broad framework.
- 1.3 Whilst Barclays broadly supports the CMA's views, we have supplemented these with a few key considerations outlined below.

## 2. Open data

- 2.1 The creation of an effective PCW will require the use of data on the actual financial activity of SMEs, plus the possible addition of further open data from financial service providers. As such there will be many advantages to aligning this project with the ongoing Open Banking Working Group ("**OBWG**") which will set out common standards for APIs and related issues.
- 2.2 Whilst there are numerous advantages to aligning these projects as much as possible, the process of starting the challenge prize is not wholly contingent on the OBWG standards and processes being fully formulated. For example, for the prototyping and development stage of the challenge, banks could consider the use of direct data feeds or closed APIs, as well as the creation of a 'data sandbox' for participants to access.
- 2.3 A 'data sandbox', to enable entrants to work with bank data in a safe and secure environment, will be a critical aspect of the prototype development. At present, different regulatory bodies are considering the use and application of the 'sandbox' approach and it is Barclays' recommendation that where possible, to gain efficiencies, these processes should be aligned.

## 3. Scope

- 3.1 The PCW Paper sets out a selection of views on the scope of any prospective PCW. This is likely to be a key decision associated with any Challenge Prize as it will

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<sup>1</sup> Dated 20 November 2015.

impact on the complexity of design, the timetable for delivery and the criteria for the 'success' of the project.

- 3.2 In Barclays' response to the CMA's possible remedies, it stated that, initially, any PCW should focus on those products which are either used by significant numbers of SMEs, or where there is likely to be substantial benefits to relevant businesses. Barclays agrees with the CMA's assessment<sup>2</sup> that the focus of any PCW should be on "*enabling small businesses to compare BCAs*" and considers that the emphasis should be on standard tariffs rather than the individually negotiated tariffs that are common among larger SMEs.
- 3.3 As Barclays has stated previously<sup>3</sup>, coverage of 'lending products' should be focused on unsecured term loans and overdraft limits of up to £25,000 where there is the greatest scope to achieve consumer benefits quickly, and the least complexity in the nature of the products.
- 3.4 Although Barclays would agree that banks should not play a direct role in the judging or assessment of Challenge Prize applicants, banks can, and should continue, to provide important input and guidance for Nesta and the participants. For example, having the banks involved in the process would allow the banks to provide valuable advice when dealing with technical issues around data privacy and data security.

#### 4. **Funding**

- 4.1 Nesta has proposed a Challenge Fund of up to [X] to support the development of SME-focused PCWs. Whilst the prize fund is important, anecdotal discussions with the FinTech community suggest that the prize money is secondary in import, whilst access to bank data proved the real incentive to participate in the challenge prize.
- 4.2 The CMA refers to the need for 'larger banks' to meet Nesta's administrative costs as well as those of the Challenge Fund<sup>4</sup>. Whilst Barclays would agree that the overall cost should be allocated proportionately across funders, it would suggest that consideration should be given to including contribution from providers beyond the larger banking groups, to ensure the solution involves a range of providers. In addition, funders should be consulted on the proposed level of administrative costs and given firm assurances that no further financing of either these costs or the prizes will be sought beyond that set out in any agreement.

#### 5. **Existing and future commitments**

- 5.1 Barclays understands the CMA's interest in ensuring that support continues for other initiatives<sup>5</sup> while the prize fund is being developed, implemented and assessed. [X]. The exact period of such a commitment should depend on the expected timescales for the Nesta Challenge Prize. [X].

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<sup>2</sup> Paragraph 44.

<sup>3</sup> See paragraph 5.8 of Barclays' response to the CMA's notice of possible remedies.

<sup>4</sup> Paragraph 46.

<sup>5</sup> Paragraph 56.

- 5.2 Once the new comparison tools are launched, Barclays would suggest that it would be reasonable to reassess the need for the banks to continue support a range of services with similar goals. For example, should the challenge prize yield a range of comparison tools (which include servicing metrics) that prove popular and useful, this may usurp the need for separate services.
- 5.3 Barclays does not support any suggestion that there should be a commitment for the industry to fund a PCW as an alternative to the Nesta Challenge Prize. Barclays considers that any PCW should ultimately be assessed based on its long-term use and sustainability. Arguably should the price comparison tools not be commercially sustainable this may point to a lack of demand or need from SMEs.
- 5.4 In addition to the broader question of the 'value' placed on a PCW, the CMA outlines some of the challenges linked to an industry-funded solution (such as deciding rules for governance and financing). As Barclays has stated previously<sup>6</sup>, a PCW being funded indefinitely by product providers would not be a satisfactory solution, and may lead to questions about the independence of the PCW.

## 6. **CMA concerns**

- 6.1 The PCW Paper outlines a number of concerns in relation to independence, governance and CMA involvement. Barclays would address these as follows:

**Independence<sup>7</sup>:** Having Nesta (an independent charity) to manage the challenge prize should ensure that there is sufficient distance between the banks and the PCW to maintain credibility in the eyes of the SMEs.

**Governance:** Whilst Barclays agrees that the banks should not be on the judging panel to decide the final prizewinner, there are benefits in keeping the banks on the advisory board whilst the project is progressing. For example, the banks are able to provide crucial guidance on matters such as Data Security and Privacy.

**CMA involvement:** There are a number of potential mechanisms that could be adopted to maintain CMA involvement at the completion of the market investigation, for example, appointing a member of the CMA to the Nesta Prize committee.

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<sup>6</sup> Barclays' response to the CMA's notice of possible remedies, paragraph 5.10.

<sup>7</sup> Paragraph 27.