

**Santander UK plc**  
**CMA Retail Banking Market Investigation**

**Response to the**  
**Supplemental Notice of Possible Remedies**  
**21 March 2016**

# Santander UK plc

## CMA Retail Banking Market Investigation

### Response to the Supplemental notice of possible remedies

#### 1 Executive Summary

- 1.1 We welcome the CMA's Supplemental Notice of Possible Remedies dated 7 March 2016 (**Supplemental Remedies Notice**). In light of the various responses the CMA received on the Provisional Findings and the Notice of Possible Remedies dated 22 October 2015,<sup>1</sup> and the comments it received on invitation to comment on additional remedy suggestions (**ITC**), we understand that the CMA is giving further consideration to competition issues affecting PCA overdraft users.
- 1.2 In our response to the Provisional Findings and Notice of Possible Remedies, we supported the CMA's focus on the switching journey and suggested that the CMA be wary of implementing remedies of only marginal benefit.<sup>2</sup> In our response to the ITC, we reiterated our support for the CMA to remain focused on ensuring the effective implementation of a core remedy package, not least because the cost implications of a wide-ranging remedy package would fall heavily on challenger banks, including ourselves as a scale challenger.<sup>3</sup> We also explained why proposals which directly seek to control outcomes should be avoided.
- 1.3 This remains our view. We consider that to address the adverse effects on competition (**AECs**) it identified in the Provisional Findings (e.g. low consumer engagement and propensity to switch), the CMA should focus on the enhancement of the switching journey via open data and enhanced Midata comparison tools.
- 1.4 Subject to our more detailed comments below, in principle we consider the additional remedies targeted at overdraft users in the Supplemental Remedies Notice are useful *improvements* to the core remedy package, and are appropriately focused on engaging customers and easing their switching journey. We consider it is very important to treat all our customers, including overdraft users, in a way that is Simple, Personal and Fair. Indeed, we already implement the majority of the CMA's supplemental proposals and, in the past five years, have made significant changes to our product range and service proposition, to make it easier for our customers to choose a suitable product, manage their finances well, and switch accounts if their needs change.<sup>4</sup> In so doing,

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<sup>1</sup> References to a "Remedy" or "Remedies" in this submission refer to one or more of those remedies set out in the Notice of Possible Remedies. Following the CMA, we have used "Overdraft Remedy" or "OR" to designate remedies in the Supplemental Remedies Notice.

<sup>2</sup> See paragraph 4 of our response to the Provisional Findings and Notice of Possible Remedies dated 20 November 2015.

<sup>3</sup> See our response to the ITC dated January 2016.

<sup>4</sup> In this regard, see, for example, the responses to the Information Request on Personal Current Account (PCA) Overdrafts dated 10 February 2016 and 22 February 2016.

our ranking in the FRS customer satisfaction survey has improved, such that we are now ranked in the top three banks.

1.5 We agree with the CMA that - for those market participants who do not currently adopt such measures - such focused remedies are helpful given the CMA's concerns that overdraft customers have more to gain from switching, but are least likely to switch.<sup>5</sup> As such, while we understand the CMA had considered its original remedy package could deal "comprehensively" with the AECs it had provisionally found,<sup>6</sup> we support developing that package in line with the Supplemental Remedies Notice.

1.6 The concerns we have with aspects of the Overdraft Remedies (**ORs**) are in line with the issues the CMA raised in the Supplemental Remedies Notice. In particular, we agree with the CMA that:

(a) There is a distinction between "auto-enrolling" customers on to alert schemes at account opening and auto-enrolling existing customers without their express permission.<sup>7</sup> Our view is that only the former is desirable and indeed capable of being lawfully implemented; and

(b) Remedies that control outcomes in relation to overdrafts are likely to carry unintended consequences.<sup>8</sup> In our view, measures that seek to control the maximum overdraft charge that any PCA provider can set, or the terms on which PCA providers can offer different types of PCA, are not justified by the AECs as found by the CMA and should be avoided.

1.7 We set out our detailed views on the issues raised in the Supplemental Remedies Notice in Sections 2-7 below. In summary:

(a) OR1: Prompts and alerts to inform customers of imminent and actual overdraft usage

We support the inclusion of targeted prompts in relation to overdraft usage, as an extension of Remedy 1, and the auto-enrolment of new customers on to alert schemes. However, for data protection and conduct reasons, we do not consider it possible to auto-enrol existing customers on to alert schemes. We provide our comments in relation to the design of that Overdraft Remedy in [Section 2](#).

(b) OR2: Measures to encourage PCA customers to make an informed choice on their overdraft options

We consider that customers should have the option to have or not have, or use, an overdraft and this should be the result of an informed choice. In offering customers two different accounts where they can opt out of unarranged overdrafts (the Choice current account and the Basic current account) we already provide that option. This segmentation also enables us to deliver key messages about money management tools to those customers most likely to benefit from them. We consider that forcing providers to offer an

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<sup>5</sup> As noted at paragraph 18 of the Supplemental Remedies Notice.

<sup>6</sup> Notice of Possible Remedies, at paragraph 176.

<sup>7</sup> As indicated by the distinction drawn at paragraph 74(f) of the Supplemental Remedies Notice regarding varying treatment for new and existing customers.

<sup>8</sup> As noted at paragraph 149 of the Supplemental Remedies Notice.

“overdraft-free” version of each PCA they offer, or limiting the commercial terms on which such a product can be offered, is unnecessary since offering different product options provides the same outcome. We set out our views on this in [Section 3](#).

- (c) OR3: suspension periods for unarranged overdrafts

We already go further than regulation requires in giving our customers extended grace periods in which to top up their accounts and avoid overdraft charges. We support the introduction of common terminology relating to suspension periods. We set out our views on this in [Section 4](#).

- (d) OR4: a monthly maximum charge (**MMC**) for using an unarranged overdraft

We already limit overdraft fees to a monthly maximum. We support the CMA’s favoured “first variant”, whereby each provider would have and advertise an MMC set by that provider, not subject to any regulated cap which amounts to a price control. However, we also consider that the CMA should mandate that providers inform customers of the maximum total fees they could incur in a statement month for arranged and unarranged overdraft usage (rather than just unarranged overdraft usage). We set out our views on this in [Section 5](#).

- (e) Develop Remedy 5 (comparison of service quality) so it includes measures directly related to overdrafts

We support Remedy 5, to the extent that Remedy 5 can help customers make informed choices about accounts to suit their needs in relation to overdraft usage. We set out our views in [Section 6](#).

- 1.8 In addition, we set out our views on how the additional overdraft remedies would fit with the remedy package set out in the Notice of Possible Remedies in [Section 7](#).

## **2 OR1: Prompts and alerts to inform customers of imminent and actual overdraft usage**

- 2.1 This OR is designed to improve customers’ awareness of overdraft usage through the increased take up (or automatic roll-out) of a range of alert services, which are effective in encouraging customer action. This could include statements that show the cumulative overdraft charges applied in relation to any given episode of overdraft usage.<sup>9</sup>

- 2.2 As noted above, we consider it is appropriate to prompt customers to review their PCA arrangements when they incur unarranged overdraft fees. We already do this through monthly statements detailing any overdraft charges and associated fees, annual summaries and via transaction information on online and mobile banking. For customers that have been charged a

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<sup>9</sup> Supplemental Remedies Notice, at paragraphs 54-56.

fee for using an unarranged overdraft, the monthly statement will also contain details about the other accounts that may be more suitable for their needs, including the Choice account.

2.3 As described in our response to question 1 of the CMA's Information Request on PCA Overdrafts,<sup>10</sup> we also provide our customers with the ability to set up a range of free text and email alerts to allow them to stay up to date with their current accounts, savings accounts and credit cards. This includes four alerts directly alerting customers of their overdraft usage:

- (i) Alert me when my account balance is close to my overdraft limit (the customer can tailor this alert to their preferred balance threshold and does not have to select from pre-set options);
- (ii) Alert me when I have incurred a 'paid item' fee because a payment has been allowed to process even though my account has insufficient funds;
- (iii) Alert me when a payment has been returned unpaid because my account has insufficient funds resulting in a potential 'unpaid item' fee; and
- (iv) Alert me each week when my account balance exceeds my arranged overdraft limit.

2.4 Customers can also set up balance alerts, including an alert when their account balance falls below a certain amount. We proactively bring the availability of alerts to our customers' attention at account opening and subsequently through messages in statements, by email, and through our branch staff, and customers can sign up to the range of alerts they consider to be helpful. From August 2015, to improve customer experience and choice, we expanded the channels through which customers could manage their alerts and also improved access to our alerts through digital channels.<sup>11</sup> As a result of these changes, we are seeing increased customer sign-up to receive alerts, for both personal and business customers, across current accounts, savings and credit cards.

2.5 As can be seen in the take-up of the various alerts we offer, customers who do sign up for some alerts do not see the need to sign up for them all.<sup>12</sup> More customers sign up for a balance alert when their account balance falls below a certain amount than sign up to an alert when their balance gets close to their overdraft limit. As the CMA notes, not all customers will want to be signed up to all possible alerts.<sup>13</sup>

2.6 However, given that even with the encouragement to enrol in the alert system, take-up remains around 30%, we support auto-enrolment in principle. Notwithstanding this support, we have previously explained the difficulties associated with rolling out alerts to all customers, because of the data-security concerns around providing alerts in non-secure formats. In particular, there are risks that text alerts may be sent to the wrong mobile number (e.g. if a customer has changed phone), or sent in such a way that persons other than the intended recipient could read the alert.<sup>14</sup>

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<sup>10</sup> Information Request on Personal Current Account (PCA) Overdrafts, dated 22 February 2016.

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<sup>12</sup> Information Request on PCA Overdrafts, at paragraph 1.5

<sup>13</sup> Supplemental Remedies Notice, at paragraph 63.

<sup>14</sup> Information Request on PCA Overdrafts, at paragraphs 1.15 and 1.16.

We note that the Information Commissioner's Office has raised concerns with the CMA's Remedy 1 (the "prompting remedy") on data protection grounds.<sup>15</sup>

- 2.7 As such, we consider that a reasonable way forward would be to have a default position that new customers would be enrolled on to a minimum set of alerts. Each customer, at account opening or at any time thereafter, would be able to opt-out of the alerts, if they so wished. For existing customers, banks could continue to promote their alerts services, and as more customers joined alert schemes (through switchers auto-enrolling), alert schemes would become the new industry norm.
- 2.8 We agree with the CMA that the set of alerts to be the subject of this Overdraft Remedy should be limited to the minimum necessary to meet the CMA's aim. We consider the set of alerts included at paragraph 60 of the Supplemental Remedies Notice is an appropriate minimum set (and in fact reflect the alerts that our customers can already sign up to). For the two classes of "imminent" alert, for the purposes of auto-enrolled customers, we would suggest a default level of £50 from using their arranged/unarranged overdraft<sup>16</sup>: we do not consider that a customer with a balance of £100<sup>17</sup> would necessarily believe themselves close to overdraft usage, or welcome a message from their bank to that effect. Banks could then offer supplemental alerts (as we do) as a competitive differentiator if they chose to do so.
- 2.9 We consider the CMA should trial the medium used. However, for these alerts to be useful to customers, we would suggest that text, push notifications or email ("Immediate Methods of Notification") would be the most appropriate, as they allow for instantaneous communication which can be processed by the customer.<sup>18</sup> We consider that any provider sending overdraft alerts to customers would want to include a call-to-action to be useful to customers. However, while the CMA should mandate the type of alert and the medium (i.e. Immediate Methods of Notification), we do not believe the CMA should mandate the particular content of the alerts. Providers can then develop alerts that they consider to be the most effective, rather than having all providers send identical alerts.
- 2.10 For completeness, we provide our customers with other tools to manage their finances, for example the Spendlytics mobile app which helps customers to keep track of their spending with visual analysis of their debit card or credit card transactions, providing spend categorisation illustrating how and where their money has been spent. Our overdraft proposition thus forms part of our overall customer service proposition.
- 2.11 We also note that for alerts or messages designed to show the amount charged for overdraft usage, the Lending Code already requires that we give customers at least 14 days' notice of what overdraft fees will be taken from their account. We exceed that regulatory requirement, giving customers 22 days' notice.

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<sup>15</sup> The Information Commissioner's response to the Competition & Markets Authority's 'Retail banking market investigation: notice of possible remedies' dated November 2015, at paragraphs 6 to 11.

<sup>16</sup> Applicable on alert being set up to streamline the process, but can be tailored.

<sup>17</sup> The highest level suggested by the CMA, Supplemental Remedies Notice, at paragraph 65

<sup>18</sup> We note support for this approach in the FCA's behavioural economics paper "Message received? The impact of annual summaries, text alerts and mobile apps on consumer banking behaviour", available at <https://www.fca.org.uk/your-fca/documents/occasional-papers/occasional-paper-10>, published 11 March 2015.

*Display of overdraft amounts*

- 2.12 In relation to the display of overdraft amounts within a customer's available balance, we consider that the approach we currently take, where we show "current balance" (i.e. including money that has been paid into the account before it has cleared and normally excluding money paid out of the account until it has cleared) alongside "available balance" (which is inclusive of an overdraft amount) is transparent and easy to understand.<sup>19</sup>
- 2.13 If our "available balance" did not show the funds available through the arranged overdraft, the balance would provide an inadequate and incomplete reference for a customer. It would also lead to perverse situations: for example, if the customer is already overdrawn, the balance will be shown as a negative value and not indicate that there are any funds available.

### **3 OR2: Measures to encourage PCA customers to make an informed choice on their overdraft options**

- 3.1 By OR2, the CMA considers requiring PCA providers to "offer customers a clear opportunity to opt out of having an unarranged overdraft facility", which would apply to "all PCAs for which an unarranged overdraft facility is available".<sup>20</sup>
- 3.2 We agree with the CMA that customers should be encouraged to make an informed choice as to whether to select an account with an unarranged overdraft facility. However, we believe it would be wholly inappropriate to mandate the terms on which banks should be obliged to offer accounts with unarranged overdraft facilities. In the round, therefore, we cannot see what this Overdraft Remedy would change in the market.
- 3.3 As previously explained,<sup>21</sup> two of our four accounts effectively offer a way for customers to opt out of unarranged overdrafts:
- (i) The Choice current account has no unauthorised overdraft facility; and
  - (ii) The Basic current account does not provide customers with any overdraft facility (arranged or unarranged).
- 3.4 When customers open an account, they have the choice between these accounts and two accounts that do offer unarranged overdraft facilities (the 123 account and the Everyday account). The four accounts have different features that appeal to different customers. Whether or not the customer wants an unarranged overdraft will be part of their considerations, weighed against their other requirements, when they choose the product that they consider is right for them. We previously described all the ways in which we help new and existing customers actively compare and choose overdraft options.<sup>22</sup> As such, customers already have the wherewithal to make a conscious choice as to what sort of account best suits their requirements.

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<sup>19</sup> See our response to Question 3 of the Information Request on PCA Overdrafts. Supplemental Remedies Notice, at paragraph 75.

<sup>21</sup> See our response to Question 2 of the Information Request on PCA Overdrafts.

<sup>22</sup> See our response to Question 2 of the Information Request on PCA Overdrafts.



3.5 As the CMA recognises:

*The potential to charge a monthly fee (or withdraw rewards) as part of an optout option is a commercial choice that could, depending on the level at which it is set, still represent a saving to customers (for example, if they would otherwise incur significant paid item and unarranged balance fees). **The flexibility to determine the cost recovery and charging structure on any given PCA may be important for a PCA provider in managing the overall strategy and performance of its PCA portfolio.** As such, constraining this could potentially risk unintended consequences.<sup>23</sup>*

3.6 We consider that this understates the importance of PCA providers determining their own product range and related pricing strategy. We understand the CMA is concerned that offering different terms as between those customers who have unarranged overdrafts and those who do not, would discourage customers from opting out. In that regard, the CMA appears to envisage mandating banks to offer a certain service - the opt-out - for free. This approach ignores that the cost of providing an opt-out (in, for example, the Choice account) reflects the commercial basis on which those accounts are developed. In circumstances where an unarranged overdraft opt-out had to be included without charge, prices would change across the services each bank offers. The unintended consequences resulting from this cannot be known in advance but would be significant.

3.7 As such, if the CMA were to implement such an opt-out remedy, it would need to allow providers the ability to vary the product terms for those customers who choose to opt out of the unarranged overdraft facility. (This is, in effect, the current position in the market.)

3.8 The net result of this would be that customers would have accounts with the same name (say, the 123 account), but with different terms (e.g. applicable to those who have opted out of the overdraft). We do not consider that this would fit with our ethos to be Simple, Personal and Fair, nor with the CMA's desire for products to be transparent and comparable. We cannot see any relevant consumer benefits stemming from this remedy that do not already exist as a result of our offering a range of product options. In addition, such a remedy would result in hugely significant IT complications and process changes, at cost to the bank. Again, we remind the CMA that, as a scale challenger, we, like other challengers operate off smaller net interest margins than the incumbent big four banks. Challenger banks will be disproportionately affected by such a remedy, which will inevitably impact our ability to compete.

3.9 We also consider that consumer biases would create issues were customers required to choose whether to open the account with or without an unarranged overdraft. Customers sometimes underestimate their overdraft usage, as overdrafts are often used for small amounts. It may therefore be the case that customers would opt out of having an unarranged overdraft, when in fact they would benefit from the convenience it would provide. Moreover, while the CMA favours no "default" option, the CMA also foresees banks providing information as to the risks and benefits of unarranged overdrafts. The CMA would have to undertake rigorous testing to ensure that the

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<sup>23</sup> Supplemental Remedies Notice, at paragraph 89.



way that information is presented leads to customers making well-informed decisions that suit their needs.

- 3.10 In light of the above, we consider it would be inappropriate and disproportionate to mandate providers to offer:
- (a) Opt-outs to existing customers in the way suggested (we already offer products without unarranged overdrafts). We already prompt customers who exhibit high overdraft spending to consider switching to accounts without unarranged overdraft facilities; or
  - (b) Opt-outs from unarranged overdrafts in respect of certain payments only. This could lead to individually negotiated terms with customers, which is at odds with the generally accepted market practice that PCAs are provided on standard terms and conditions.
- 3.11 None of this prevents a provider offering opt-outs on whatever terms it sees fit, if it considers that represents a competitively advantageous differentiator.

#### **4 OR3: suspension periods for unarranged overdrafts<sup>24</sup>**

- 4.1 By this remedy, the CMA would require PCA providers to offer a minimum grace period (defined as “*periods during which customers may take action to avoid paid item charges and daily or interest charges*”)<sup>25</sup>.
- 4.2 OR3 focuses on grace periods, since the CMA notes that PCA providers are already signed up to specified retry periods.<sup>26</sup> Given the broad coverage of the voluntary regime relating to retry periods,<sup>27</sup> we do not see any benefit from the CMA extending its remedy to retry periods.
- 4.3 As the CMA notes, San UK, like others, already offers grace periods. We go further than the industry standard and allow our customers until 4pm (rather than the industry standard 2pm) to credit their account with cleared funds to avoid fees that might otherwise be payable (e.g. where they have insufficient funds to cover a standing order, direct debit or future dated payments).<sup>28</sup> Customers who have signed up for the relevant alert are notified of this cut-off time.
- 4.4 We would be content to see grace periods mandated across the industry to bring other providers in line. We consider that the grace period should be “same day” to maintain the urgency of action. The CMA correctly identifies that overly long grace periods lower the perceived urgency of the action; and of course, very long grace periods would be akin to offering free short term lending. A “next day” grace period would lead to a consumer perception that the “first day is free”, and so set a new norm that overdrafts are to be corrected the following day. This would simply encourage regular late payment. This is not the aim of the grace period, which, as the CMA notes, is to give customers an opportunity to quickly redress their overdraft usage to avoid fees.

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<sup>24</sup> We note that questions 8 – 11 of the CMA’s information request of 15 March 2016 seek further information on this.

<sup>25</sup> Supplemental Remedies Notice, at paragraph 108(b).

<sup>26</sup> Defined as periods during which customers may take action to avoid regular payments being declined and incurring unpaid item charges in this event. Supplemental Remedies Notice, at paragraph 108(a).

<sup>27</sup> In respect of electronic payments, e.g. standing orders and direct debits.

<sup>28</sup> See our response to Question 11 of the Information Request on PCA Overdrafts.

- 4.5 The alerts discussed in OR1 (including our existing alert advising of the 4pm grace period – see paragraph 4.3) will be helpful in the implementation of OR3. As discussed, we consider the type and medium of the alerts should be specified, and that providers should be free to set the content (see paragraph 2.9 above).
- 4.6 The CMA has asked whether “some providers” should be allowed to provide or extend buffer zones, or specify circumstances in which fees are waived instead of offering grace periods.<sup>29</sup> These are not alternatives to the grace period, and we consider that any remedy which the CMA is minded to implement should apply fairly across the industry. Indeed, in addition to offering a grace period, we already provide a £12 buffer, and have the flexibility to offer our customers a goodwill refund on charges incurred. (Refund policies, and the refund of charges, are a commercial matter for individual providers. Our refund policy is a competitive differentiator for us and we have found setting the policy is important in improving our customers’ views of quality). If the CMA considers that set grace periods would help remedy the AECs it has found, we are uncertain as to the rationale for allowing some providers to implement a different strategy.
- 4.7 We support the implementation of a common terminology relating to grace and retry periods, which would be helpful to our customers.

## 5 OR4: a monthly maximum charge (MMC) for using an unarranged overdraft

- 5.1 We are in favour of an uncapped MMC in the manner favoured by the CMA; that is to say, an MMC that providers set themselves rather than one which is set by a regulator. Structured in this way, the remedy is a useful transparency measure, rather than a price control. We welcome the CMA’s decision not to pursue mandated fee structures, which, as we have explained before, would be detrimental to competition in the PCA market.<sup>30</sup>
- 5.2 Indeed, we already provide and publicise MMCs for each account. For each PCA, we have a Total Overdraft Fee Cap<sup>31</sup> – and communicate this limit to customers in, for example, the Key Facts Documents that are provided to customers at account opening, in branch and on our website.
- 5.3 Our Total Overdraft Fee Cap applies to fees incurred through arranged and unarranged overdraft usage. We consider this is the most simple and transparent way to apply the cap:
- (i) For the 123 and Everyday PCAs, this Total Overdraft Fee Cap is £95. In 2015, we reduced the level of the Overdraft Fee Cap for the Everyday Current Account from £150 to £95, following a review of the competitive position on overdraft fees;

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<sup>29</sup> Supplemental Remedies Notice, at paragraph 126(e).

<sup>30</sup> See our response to the ITC, at Section 2.

<sup>31</sup> We detailed these in our response to question 25 of the Information request on Personal Current Account (PCA) overdrafts.

- (ii) For the Choice account, without an arranged overdraft the maximum charge is £10 per month. If the customer has an arranged overdraft on a Choice account, the maximum fee is a further £20 charged at £1 per day, capped at 20 days<sup>32</sup>; and
- (iii) The Basic account has no arranged or unarranged overdraft facility.

5.4 These price structures reflect different value propositions across our PCA product range. We consider that it would be inappropriate for a single MMC to apply to all of the PCA products offered by a particular provider. If the MMC were to apply across products, it would limit a PCA provider's ability to differentiate products, and would likely lead to the lowest MMC being higher than would be the case if providers are able to apply different MMCs to different products. This would run counter to competition.

5.5 A more fundamental concern we have is that this Overdraft Remedy is unnecessarily restricted to unarranged overdraft fees. We do not consider there would be any merit in requiring providers to specify an MMC applicable to just unarranged overdrafts. The point of an MMC would be to forewarn a customer of the maximum monthly overdraft charge they could incur. This is why our Key Facts Document shows that maximum overdraft cost across both arranged and unarranged usage. To the extent arranged overdraft fees were carved out of the MMC, the MMC presents at best a partial view, and at worst a misleading view, of the potential charges a customer could face. Moreover, limiting the MMC to unarranged charges would increase the "circumvention risk" identified by the CMA. Providers could compete to provide low MMCs for unarranged usage whilst increasing fees for arranged overdrafts.<sup>33</sup> This risks confusing customers as well as adverse consumer outcomes.

5.6 Of course, this would not prevent any provider from disaggregating their MMC to show a maximum charge for arranged usage, and a maximum charge for unarranged usage, if they considered that helpful for customers. Where providers currently advertise maximum unarranged overdraft fees only, we consider the CMA should require such providers also publish the maximum total fees customers could incur from arranged and unarranged overdraft usage in a month. This would ensure customers are able to compare like products (and could also be more easily fed into remedy 5 below).

5.7 We consider a statement month is the correct timeframe for an MMC.

## **6 Develop Remedy 5 (comparison of service quality) so it includes measures directly related to overdrafts**

6.1 Remedy 5 in the original Notice of Possible Remedies was aimed at enabling consumers (and SMEs) to make comparisons between current account providers on the basis of their service quality. As we explained in our response to the Remedies Notice, we support Remedy 5 in

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<sup>32</sup> Our Choice account is aimed at, and marketed to, customers who would otherwise incur greater charges on our other accounts. See further our response to the Information Request on PCA overdrafts.

<sup>33</sup> At Supplemental Remedies Notice, paragraphs 154 – 156.

principle, particularly since the CMA has found that the incumbent big four banks provide a lower quality, or no better, service than challengers (alongside typically higher prices).<sup>34</sup>

- 6.2 We consider the most effect way of achieving this is by the inclusion of survey data on price comparison websites (**PCWs**) showing the experiences of overdraft customers. This would be best done by having one measure of satisfaction (from a reputable survey, for example leveraging the work done by FRS<sup>35</sup>) included on all PCWs, with PCWs able to add other metrics as they see fit.<sup>36</sup> This would allow users to compare PCAs on useful criteria, without providers (or regulators) distorting the results through the inclusion of extraneous criteria. We are wary of a mandated matrix of criteria made available on all PCWs, which we consider would be more likely to confuse than empower customers.
- 6.3 In terms of measures directly related to overdrafts, we would be supportive of survey data (for example, FRS) on the experiences of overdraft customers being used. (In terms of key features on our overdrafts, we already make clear on our website the services available to overdraft users (including grace periods and alerts) and note that our overdrafts have been found to be clear and easy to understand.<sup>37</sup>) PCWs could incorporate these metrics if they saw fit. Of course, the value of these services as competitive differentiators will be affected by the CMA mandating their use across the industry.
- 6.4 We are unclear what is meant by “information on the level of customers’ overdraft usage, in particular unarranged overdraft usage, at each provider”. However, the actual overdraft usage patterns of current customers is not a helpful (or relevant) measure by which potential customers can assess the quality or value of that product to them; in much the same way we do not think it would be relevant for the average balance or income of an account holder to be published. Other customers’ usage is not a predictor of any given customer’s future usage. Rather, tools like open-API enabled Midata, which allow customers to see what fees their own usage would incur, are far more relevant (and already form part of the CMA’s possible remedies package).
- 6.5 Moreover, the CMA has found that overdraft users are less likely to switch. It may be that the products that best suit them would have a high proportion of overdraft users (who had switched to make use of those terms). It would be perverse to put potential customers off through the implied criticism of an account that its users had a high incidence of overdraft use.
- 6.6 The CMA has also sought views on whether any set of Key Performance Indicators (**KPIs**) should have targets attached to them that providers would aim to achieve. It is not clear to us what those targets would be, how that target could be monitored, and what incentive the provider would have to meet those targets. Moreover, if the KPIs were metrics judged on relative performance as among providers, meeting a particular target would serve no additional value. A provider could “meet the target”, and still perform poorly in comparison with its peers.

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<sup>34</sup> See, for example, Provisional Findings 5.89.

<sup>35</sup> See our response to the Provisional Findings and Notice of Possible Remedies, paragraph 5.4.

<sup>36</sup> Response to the Provisional Findings and Notice of Possible Remedies at Annex 2.A.5.

<sup>37</sup> Paragraph 3.1 of our Response to the Issues Statement, dated 3 December 2014.

## 7 The wider package

- 7.1 The Supplemental Remedies Notice explained how the CMA considers the Overdraft Remedies sit alongside the Remedies proposed in the Notice of Possible Remedies. We remain firmly of the view that the best way to improve competition in the market is to have engaged customers who are able to access and assess information, and act on that information to switch if a different bank offers a better proposition. In particular, in our view there is a danger that if the CMA were to impose too many mandated outcomes in respect of overdraft users, this may lead to overdraft users considering that “all banks are the same” and accordingly being less rather than more inclined to assess their position and to switch to the better service provider.
- 7.2 We are proud of the Simple, Personal and Fair service proposition we offer, and see it as a competitive differentiator, which we expect would be rewarded by attracting more customers should the CMA implement the "core" remedy package.<sup>38</sup> As we have explained above, while we support the proposed supplementary remedies in principle to assist overdraft customers in managing their accounts, we do not consider that the CMA should intervene to such an extent as to remove the means by which we can distinguish our service to win new customers from competitors.
- 7.3 We have a few brief comments to add on the specific points raised by the CMA:

### **Remedy 1 - Prompting Remedy**

- 7.4 As noted in our response to the Provisional Findings and Notice of Possible Remedies, we consider that the incurring of unarranged overdraft charges is an opportune time for providers to prompt their customers to consider other options.<sup>39</sup> Consequently, we already pro-actively contact customers who have incurred high charges, to suggest that they consider other accounts.<sup>40</sup>

### **Remedy 3 – Facilitating price comparisons using open data**

- 7.5 We agree with the CMA that Open Data and enhanced Midata comparison tools will be beneficial to overdraft users.

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<sup>38</sup> See paragraph 4 of our response to the Provisional Findings and Notice of Possible Remedies dated 20 November 2015.

<sup>39</sup> Response to the Provisional Findings and Notice of Possible Remedies, Annex 2, paragraph 1.2(b) iii.

<sup>40</sup> See our response to question 7 of the Information request on Personal Current Account (PCA) overdrafts, and material provided to the CMA in November 2015.

**Remedy 7 – Make it easier for prospective PCA customers to find out, before initiating the switching process, whether the overdraft facilities they were seeking were available to them from another PCA provider**

- 7.6 As previously noted in, this is already the position endorsed by the FCA and the one that we implement.<sup>41</sup> Customers are aware of the overdraft they are being offered before they complete the account opening process (regardless of what channel the customer has applied through).
- 7.7 On 15 March 2016, the CMA issued an information request which contained questions on the feasibility of providing prospective PCA customers with an indication of the likelihood of being accepted for a bank account. We refer the CMA to that response, which is due to be submitted on 29 March 2016. We consider that it would be possible to provide an indication of the likelihood of being accepted for a bank account as part of soft search capability.<sup>42</sup> However, this would need further investigation around the potential benefits as it would require significant investment.
- 7.8 In light of the industry position being that customers can know their overdraft position ahead of initiating the switching process, we do not consider that this remedy is required.

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<sup>41</sup> See our response to the Provisional Findings and Notice of Possible Remedies.

<sup>42</sup> See our response to question 22 of the Information Request on PCA Overdrafts.