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Tesco Bank is one of the UK's leading challenger banks, serving over 6 million customers across the UK. We have been actively engaged throughout the Competition and Markets Authority's (CMA) investigation, sharing insight from our experience as a new entrant into the Personal Current Account (PCA) market, as well as findings from our own consumer research.

We are pleased to take this opportunity to comment on the CMA notice of supplemental remedies relating to overdraft charges. From previous submissions, the CMA will be aware that Tesco Bank believes that transparency and comparability are key to helping customers understand their current account and making informed decisions on whether to keep or switch accounts. The CMA will also be aware that, to a varying degree, Tesco Bank already provides a number of the proposed supplemental remedies relating to overdrafts and charging.

We note the focus on unarranged overdrafts and charges in the paper. Our data indicates that customers value the flexibility of access to an unarranged overdraft. We believe that this is an important feature of a current account which helps customers deal with unanticipated circumstances. We feel that requiring customers to opt in (particularly when opening an account) would be counter intuitive given that they would be unaware of their future circumstances. In addition, customers often use this facility when credits and debits unintentionally overlap. As a responsible lender, we currently offer an alert service to customers, notifying them when they enter an unarranged overdraft and any charges they will occur as a result. This allows the customer an opportunity to avoid the charge by bringing their account back into credit.

The CMA provisionally found that "a combination of low customer engagement, barriers to searching and switching and incumbency advantages in the provision of PCAs in both GB and in NI is leading to adverse effects on competition" and believe this is the most significant issue affecting the current account market. It is vital when considering new remedies that we focus on those that are likely to have the most significant impact on customer engagement and balance these with the cost incurred of implementing these remedies. Mandating disclosure of overdraft charges, while transparent and informative, will not by themselves encourage customer engagement with their overdraft.

Tesco Bank has consistently argued that making the true comparative costs that customers incur when using their current account (including for overdrafts) clear and transparent is the most effective way to improve customer engagement. Our proposed traffic light labelling system would make it clear to customers both the value and the cost of their account, and critically, how it compares to others in the market.

We believe that the CMA's focus should continue to be on increasing customer engagement. As the CMA's provisional findings state, "With greater customer engagement we would expect banks to have stronger incentives to compete and develop products to benefit all customers which are clearer to and valued by customers."

Finally, it is Tesco Bank's view that it isn't clear that the supplemental potential remedies will have sufficient benefit in changing the market to outweigh the cost burden. We are conscious that the costs of implementing these remedies will disproportionately impact smaller players due to the benefits that economies of scale can offer the incumbent banks. The system changes required will have a set cost whether a provider has a large or small number of accounts. Additionally, through increasing operational complexity, the proposed suggestions may also deter potential new entrants. For these reasons, we urge the CMA to focus attention on a small number of remedies that will substantially improve transparency and drive customer engagement.

Yours sincerely

David McCreadie
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