



**Retail Banking Market Investigation**

**Customer research, 7 March 2016**

**Response on behalf of Barclays Bank PLC**

**30 March 2016**

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## 1. Introduction

- 1.1 The conclusions of the paper prepared for the CMA by Optimisa Research, "*Informing the development of communication tools designed to increase consideration of switching among PCA and SME customers*", (the "**Qualitative Research**") are a helpful contribution to the discussion around possible remedies 1, 3, 5 and 7. Barclays' comments on the research are set out below (including, where relevant the quantitative GfK<sup>1</sup> and BDRC<sup>2</sup> research).
- 1.2 Before commenting on the research findings, Barclays considers that the very small sample and sub-sample sizes of the Qualitative Research cast doubt on its representativeness and the extent to which it may be relied upon by the CMA to draw general conclusions about the population of BCA and PCA customers. For example, the research comprised just twenty in-depth interviews with between 3-4 people in each of the PCA sub-categories and between 4-5 interviews in the SME sub-categories. Optimisa itself acknowledges the limitations of its research: "*Because of the nature and size of the sub-samples, one cannot reliably assess how widely such views are held and the findings cannot be generalised to the whole of the individual target audience populations, or to all PCA and BCA holders.*"<sup>3</sup>
- 1.3 Given the limitations of the Qualitative Research, Barclays notes that there already exists rigorous FCA research on the responsiveness of banking customers to prompts, on which the CMA could draw.<sup>4</sup> In light of the FCA Research, in particular the finding that targeted, timely reminders are more effective than periodic prompts, Barclays would like to emphasise that any decisions regarding the design and implementation of remedies must be underpinned by rigorous customer testing. In particular, determining the form and content of a prompt will require careful testing and analysis. The research conclusions on the relevant drivers<sup>5</sup> and a communications framework<sup>6</sup> will both be useful inputs to this work.

## 2. Remedy 1

- 2.1 The CMA should consider the FCA Research, as well as the results of the Qualitative Research, to determine whether the proposed notifications will be an effective

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<sup>1</sup> GfK Research, "*Informing the development of communication tools designed to increase consideration of switching among PCA and SME customers*".

<sup>2</sup> BDRC, "*Business opinion omnibus December 2015*".

<sup>3</sup> See Section 2.3.4, of the Qualitative Research.

<sup>4</sup> See for example "Stimulating interest: Reminding savers to act when rates decrease", January 2015, and "Message received? The impact of annual summaries, text alerts and mobile apps on consumer banking behaviour", March 2015 ("**FCA Research**").

<sup>5</sup> Figure 14.

<sup>6</sup> Figure 16.

remedy. The FCA findings suggest that periodic prompts will have little effect while targeted, timely reminders at key trigger points may be more effective in altering behaviour.

2.2 Barclays considers that the Qualitative Research reinforces important considerations in the implementation of proposed Remedy 1:

- (a) The existing BCA or PCA provider is the most trusted entity to provide switching prompts to customers (section 3.10.1). While some alternative senders may have sufficient credibility, the additional complexity and concerns about data security are likely to limit the efficacy of a third party becoming involved in implementation.
- (b) Customer preferences for communication channel vary, and therefore a multi-channel approach is likely to be most effective.
- (c) Points of material change to customer relationships - i.e. a branch closure or substantial revisions to terms and conditions - are junctures at which PCAs and SMEs appear to be receptive to messages relating to switching. For BCA users, the end of their free banking period is a natural decision point.
- (d) Barclays notes the complexities surrounding prompting heavy overdraft users and highlights the need to consider this in conjunction with the proposed supplemental overdraft remedies to avoid bombarding customers.
- (e) Finally, customers were less supportive of the use of prompts in association with data security, service delivery and areas of potential complaints<sup>7</sup>. As Barclays has stated previously<sup>8</sup>, presenting prompts at these moments may hinder the resolution of those issues and give the impression to customers that their bank no longer wants them<sup>9</sup>.

2.3 The Qualitative Research mentions the appeal of highly personalised prompts containing specific monetary values. Barclays cautions against this approach for the following reasons:

- (a) The CMA's previous research shows that customers' preferences for PCA or BCA provider are influenced by more than just price, so focusing purely on monetary values risks limiting appeal.
- (b) Barclays considers that this approach would generate considerable conduct risk. It would be highly challenging for a provider to determine a specific figure for a cost saving or financial gain on behalf of a customer. The CMA would need to consider the legal and reputational consequences which could

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<sup>7</sup> Qualitative Research, paragraph 3.8.5. All paragraph and figure references are to the Qualitative Research unless stated otherwise.

<sup>8</sup> Barclays' response to the CMA's notice of possible remedies (Remedy 1).

<sup>9</sup> Paragraph 3.8.4.

ensue if a customer decided to act on the basis of this information.<sup>10</sup> Barclays encourages the CMA to engage with the FCA if minded to pursue this approach.

- (c) The research indicates that customers require 'sufficient' benefit to act<sup>11</sup>. Given most PCA customers have limited financial gains from switching, the CMA should give greater consideration to what a 'sufficient' benefit is in the eyes of PCA and BCA holders. The research suggests that £100 may be a particularly salient amount. Barclays questions how relevant this would be for the vast majority of customers, and so how effective a remedy focused on a monetary figure would be.
  - (d) Barclays encourages the CMA to consider variations in the market, including the difference between short-term switching incentives and longer-term value propositions. These differences would have a bearing on the way in which providers present monetary value to customers. Midata faced this issue during its creation.
  - (e) Personalisation of prompts also brings increased cost which would impact on proportionality of the proposed remedy.
- 2.4 It would be challenging to deliver an effective prompt in the format outlined in the Qualitative Research. The form of communication may be lengthy which may reduce the likelihood of a customer reading and responding to the prompt. Barclays submits that the inclusion of 'tangible benefits' in any prompt would essentially result in replicating potential work being done to develop price comparison websites ("PCWs") but without the other benefits arising from those sites.
- 2.5 Among PCA customers who have previously switched or considered switching, the GfK research shows that the net effect of all of the proposed CASS remedies would be a 23% increase in the proportion of these PCA customers who are likely to switch. In relation to transferring continuous payment authorities ("CPAs") to a new bank, 71% of respondents think that the transfer of CPAs would not affect their likelihood of switching. Likewise, 86-89% of SME respondents said that, if CPAs were transferred as part of CASS, it would not affect their likelihood of switching.
- 2.6 The BDRC survey suggests that benefits may arise from increased efforts to inform SMEs about CASS and its features. As Barclays has stated previously<sup>12</sup>, it supports efforts to improve awareness of CASS for both personal customers and SMEs.

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<sup>10</sup> For example if a customer switches provider away from their bank based on the potential cost saving information published by that bank, and subsequently does not achieve those savings, or has a bad experience with the new bank, they may consider the previous bank is to blame.

<sup>11</sup> Optimisa Research, p.5.

<sup>12</sup> [§<]

### 3. **Remedy 3**

- 3.1 The Qualitative Research highlights the appeal of a seamless comparison service (replacing the download/upload model). It also emphasises the unequivocal importance of data protection. [8<] Barclays encourages the CMA to consider the proposals in the Open Banking Working Group (OBWG) report which set out the security standards, customer education and redress protocols that organisations should abide by in order to access transactional data.
- 3.2 In relation to SME customers, the conclusions from the Qualitative Research on making transaction data more readily available for use on PCWs supports Barclays' argument<sup>13</sup> that the PCWs' focus should be on providing solutions for the vast majority of smaller, simpler businesses, where there is sufficient volume and simplicity of products to enable meaningful comparisons. This reinforces Barclays' view that the initial focus of PCWs should be on 'standard' products<sup>14</sup> applicable to most SMEs.
- 3.3 Figure 20 of the Qualitative Research provides a useful input into the objectives that should be set for any PCW to receive funding under the proposed Nesta Challenge Prize. The importance of charges to the SME respondents is consistent with their focus on 'tangible benefits' when discussing Remedy 1.
- 3.4 More broadly, the research conclusions confirm Barclays' expectations that the move to widespread use of PCWs by SMEs will require not only technical change, but commensurate effort to reassure customers about data security, develop their ability to use these sites and provide greater understanding of CASS to allow them to act on the information they obtain.
- 3.5 Encouraging the development of multiple PCWs through an approach such as the Nesta Prize offers the opportunity for a variety of solutions to these issues. Given the differing importance that SMEs will place on these issues means that it is unlikely there is a single 'correct' answer. Therefore, a range of PCW providers would be likely to result in greater engagement across the business population.

### 4. **Remedy 5**

- 4.1 Barclays is pleased to note that the Qualitative Research finds that:
- (a) Service quality measures are helpful but customers wish to view them “alongside other key features of products in the market”... “there was less interest in service quality as a standalone measure”.
  - (b) “Different aspects of the service would be relevant to different customer types” so “the concept of simplifying this (e.g. by just showing an overall customer satisfaction score) was felt to be too vague”.

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<sup>13</sup> Barclays' response to the CMA's notice of possible remedies (Remedy 4).

<sup>14</sup> BCAs, deposit accounts, overdraft limits and Consumer Credit Act (CCA) eligible unsecured term loans.

- (c) It is necessary to consider the variety of SME customers in assessing how best to present service quality information. Smaller firms may prefer summary data, whilst larger SMEs may require more detail, particularly regarding relationship management.
- 4.2 Figure 36 offers a helpful overview of the aspects of service quality that were seen as most relevant to customers. Barclays agrees that the availability of effective measures of these aspects would materially improve the value of PCWs to users.
- 4.3 While the Business Banking Insight survey currently provides service quality measures, the development of multiple PCWs would potentially allow alternative approaches to this issue.
- 4.4 While Barclays appreciates the initial appeal of 'traffic light' ratings, it cautions that this would need to be implemented very carefully to be meaningful. As noted above, customers make decisions based on many factors, and individual usage of a current account can have considerable impact on its relative performance.
5. **Remedy 7**
- 5.1 The majority of feedback from SME respondents was against the provision of a standalone online tool to assess overdraft facilities. Barclays supports this view and considers that PCWs should be the preferred manner for SMEs to obtain an indication of financial eligibility (starting with unsecured term loans and overdrafts of up to £25,000). This is consistent with the objectives of Remedy 15 and avoids the creation of more sites than is necessary.
- 5.2 Barclays also notes that customers state a need for certainty of an overdraft from a new PCA provider prior to switching. Hence, whilst the size of a potential overdraft limit (together with associated fees and charges) may be helpful in comparing across PCA providers, Barclays suggests that this is unlikely to meet the perceived customer barrier. Alternatively, this could be addressed by PCA providers providing certainty of an overdraft limit prior to commencing the switch and deciding to close the old account.
6. **Conclusion**
- 6.1 The Qualitative Research supports Barclays' submission to the CMA in response to its notice of possible remedies. However care must be taken when interpreting these results to ensure that the extent to which they are reflected in potential switching prompt remedies functions consistently with the possible remedies package as a whole. It is also crucial that any decisions in relation to the issues considered by the Qualitative Research are supported by careful and comprehensive customer testing.