LBG TRIALS

DESIGN AND TRIALS EXTENDED REPORT: REDACTED VERSION

05th April 2016
Originally shared with the CMA in December 2015
A note on redactions

• This is a redacted version of the report, which was previously submitted to the CMA in full.
• This redacted version has removed commercially sensitive information, whilst still aiming to provide a thorough summary of LBG’s trials.
• The following redactions have been applied:
  • **Charts**
    • Chart axis and data labels have been removed. However, the percentage impact of the treatment is presented.
    • For the OD eligibility results charts, the data labels have been indexed rather than removed completely.
    • Slide 114 in the annexe explains how the results should be interpreted.
  • **Results tables**
    • The results tables have been indexed to redact the actual values. However, the percentage impact of the treatment is presented.
  • **Results in the text**
    • Results in the text have been either put into ranges or redacted completely.
  • **Commercially sensitive information**
    • Commercially sensitive information relating to the design and evaluation of the trials has been redacted from the text with a [ ].
Executive summary

• Throughout the CMA’s investigation, LBG has consistently stated that it is possible to improve customer engagement, and that doing so should be a focus for the CMA. The CMA has concluded in its Provisional Findings and Notice of Proposed Remedies that this is indeed an issue to pursue.

• LBG is broadly supportive of the CMA’s package of possible remedies. Remedies that seek to change customer behaviour will require a well-designed and iterative programme of trials and behavioural research. This is consistent with the views LBG has previously submitted and with wider regulatory best practice. (Equally, there are a range of remedies where the CMA can move straight to implementation and seek to make quick progress.)

• LBG has recently undertaken a range of relevant customer randomised control trials (RCTs) involving several hundred thousand LBG customers. This has generated some important insights as the CMA starts to design it’s customer engagement remedies. In particular:
  
  • Customer Tools: LBG tested whether tools to help customers better manage their products (text alerts, planned OD, annual review) could significantly impact customer behaviour, lower the fees they pay and change provider behaviour by changing revenues. These had some of the biggest impacts, particularly for high OD customers. These types of tools are not currently covered by the CMA’s remedy package. We think the CMA should build customer tools into the remedies package following further trials.

  • Customer prompts: the CMA is proposing introducing a range of prompts. LBG trialled prompts targeted at those customers making complaints as a way to focus on the most dissatisfied, but results were disappointing. There could be lots of reasons for this, but this shows that testing proposed remedies is important.

  • Overdraft eligibility checker: the CMA is proposing a remedy to introduce this tool. LBG trialled this, but in practice the tool didn’t have a significant impact. Intuitively, an overdraft checker would seem to be a positive development and LBG has ideas on how to improve the impact of the next tool in future trials.
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Some of the CMA’s remedies aim directly to change customer behaviour. Trials will be critical in these cases.

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<th>Next step*</th>
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<td>14. Commercial open data and data sharing proposals</td>
<td>Implement</td>
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<tr>
<td>15. Loans price and eligibility indicator</td>
<td>Trials needed</td>
</tr>
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</table>

- Remedies 1, 2, 7 and 15 seek to directly influence customer behaviour.
- Changing customer behaviour requires significant trialling to test what works in practice. Results are not always as expected.
- Such a programme takes time. The CMA will need to account for this in remedy design, where trials are a necessary step before any form of rollout.

- For other remedies, the immediate next step should be to move quickly to a technical implementation where feasible, as these relate to operational changes or require functional builds that third party providers can undertake (or already exist in some form).
- Of course, once built, some remedies will benefit from trials and this should be factored in eg trials of how to make CASS marketing more effective.
**HYPOTHESIS**

1. **Availability of a planned OD limit**
   - Providing customers that go into unplanned OD with trigger alerts around available planned limits will lead to a reduction in unplanned fees going forward and customers being better off in the long term.

2. **Auto opt in low balance text alerts**
   - Trigger prompts to auto-opted overdraft customers ‘near limit’ and ‘over limit’ will reduce accidental use of unplanned overdrafts and therefore reduce overall fees.

3. **Annual Summary Statements**
   - Customers who receive a transparent summary of key areas of Current Account cost and value, act on the information and switch products/change behaviour internally or switch out externally.

4. **Complaint letter insert**
   - An insert outlining simplicity of switching may trigger PCA customers who have complained to contact the 3rd party advice service detailed in the insert or switch to another provider.

5. **Overdraft Eligibility checker**
   - A simple pre-application overdraft eligibility tool. Some customers who would not normally apply will have the confidence to do so. Also those customers likely to fail can take alternative action and protect their credit history.

**CHANNELS**

- **Letter**
  - 20k treated/ channel
  - Same control size

- **SMS**
  - 50k treated
  - Same control

- **Digital Prompts**
  - 95k treated, 40k control

**MEASURED IMPACTS**

- **Increased overdraft limit**
- **Reduction in days in unplanned**
- **Lower overall fees**
- **No longer incurring unplanned fees**
- **Lower debit balance (long term)**
- **Understanding channel effectiveness**

- **Reduced discretionary debit card usage into unplanned**
- **Lower unplanned fees**
- **Reduction in days in unplanned**
- **Lower debit balance (long term)**
- **Increased overdraft limit**

- **Customers switching products internally/extending limits**
- **Uplift in product queries**
- **Customers switching externally**
- **Reduction in use of unplanned overdraft**
- **Increased overdraft limit**

- **Increase in switch out rates**
- **Calls to Money Advice Service**

- **Reduced failed application rates**
- **Improved filtering of applications**
...and a further two RCTs with BCA customers.

<table>
<thead>
<tr>
<th>HYPOTHESIS</th>
<th>CHANNELS</th>
<th>MEASURED IMPACTS</th>
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<td><strong>6</strong> Auto opt in low balance text alerts</td>
<td><strong>HYPOTHESIS</strong></td>
<td>• Reduction in average days in excess</td>
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<td>• Increased overdraft limits</td>
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<td>• Uptake of new credit lines</td>
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<td><strong>7</strong> Annual Summary Statements</td>
<td><strong>MEASURED IMPACTS</strong></td>
<td><strong>Uplift in product queries</strong></td>
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<tr>
<td><strong>RBB/SME</strong></td>
<td></td>
<td><strong>Customers switching products internally/extending limits</strong></td>
</tr>
</tbody>
</table>

Customers who receive enhanced information on their overdraft usage (near limit alerts) incur less excess fees / spend less time in an excess position.

Customers who receive a transparent summary of key areas of Current Account cost and value, act on the information and switch products internally or switch out externally.

- **Letter at launch**
  - 25K treated (RBB:SME split = 20K:5K); same control

- **SMS**

- **Letter**
  - 9k treated (RBB:SME split = 6K:3K)
  - Same control

- **Uptake of new credit lines**
- **Reduction in average days in excess**
- **Reduction in volume of excess occurrences**
- **Reduction in value of excess fees**
- **Increased overdraft limits**
- **Uptake of new credit lines**
- **Reduction in transaction volumes**
Some PCA trials were effective, others less so. Each trial provides relevant insight for the CMA’s early remedy design work. (1/2)

<table>
<thead>
<tr>
<th>TRIAL</th>
<th>RESULTS</th>
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</table>
| 1     | Availability of a planned OD limit RETAIL | • Customers reacted and changed planned limits under the treatments. The exception was customers without a limit prompted via internet banking.  
• SMS was most effective for those with a planned limit (42%+ vs. control). DM for those without (39%+ vs. control) NB these % differences are relative to small original effects.  
• Timeliness of messages was important: customers incurring fees in a given month were more likely to act than others in the treatment.  
• Absolute magnitudes: 1% to 0.2% more customers changed limits, depending on treatment.  
• Heaviest fee payers were least likely to change limits.  
• Prompt caused some customers to open a new account or product (15-20%+ v control). | • Trial was effective for some segments and some treatments.  
• Refinements: consider repeat contact, different variants, timing of messages, and multi-channel contact. |

| 2     | Auto opt in low balance text alerts RETAIL | • Treated customers reduced unplanned fees and time unplanned.  
• ~1% of treated customers saved £5+ per month v control by not going unplanned. The top 20% of fee payers saved [100-150]p/month on average. CMA average provider OD income was £4.11/month.  
• FCA found 30p/month reduction with SMS alerts (Message Received). LBG found [25-75]p/month average reduction across the treatment group.  
• Alerts also positively affected days unplanned (3 days/yr less); unplanned occurrences (3% less/month) and customers going unplanned (2% less/month).  
• Customers who opted out before the trial started tended to be heavier OD users.  
• Daily analysis shows most impact from alert in first 24 hours. | • Trial was effective for most segments and treatments.  
• Refinements: explore different limits, different variants including multi-channel, repeat frequency. |

| 3     | Annual Summary Statements RETAIL | • Mixed impact. Treatment affected low interest segments, but not unplanned OD users.  
• Twice as many high balance customers with low interest were prompted to internally switch by explicit call to action.  
• Customers with CTO>£1,500 most likely to respond to treatment. | • Improve variants for high balance, low interest.  
• Redesign alternative approaches for OD users.  
• Consider multi-channel |

Elements of CMA remedy 1 relating to event triggers.

Elements of CMA remedy 1 relating to periodic prompts.
Some PCA trials were effective, others less so. Each trial provides relevant insight for the CMA’s early remedy design work. (2/2)

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| 4 | **Complain letter Insert RETAIL** | • Although directional impacts were positive, no statistically significant impact on switching rates.  
• Sub segment analysis by complaint type also revealed no significant impacts. | • Redesign required in next iteration.  
• Before CMA run any similar trials, consider alternative designs: channels, variants, larger samples, other complaint triggers. | Elements of CMA remedy 1 relating to event triggers. |
| 5 | **OD Eligibility Checker RETAIL** | • Halifax customers seeing the OD checker (ODC) were less likely to open account than the control group with or without an overdraft (5.2% with ODC, 5.5% in control without ODC).  
• Fewer ODC page visitors start application process (22% with ODC v 26% control without ODC).  
• Of those who started an application, more users opened an account where ODC was available (23% with ODC v 21% control without ODC).  
• Overall, the fewer starters effect dominates the improvement in completion from ODC viewers.  
• Only ~8% of Halifax page visitors completed checker (22% started).  
• Mobile least effective channel in terms of switching rate (<2%, v ~7% other channels).  
• No significant results for Lloyds customers. | • This OD checker reduced account opening – the opposite of the intended effect.  
• Further research into customer journey and experience required before further testing.  
• Next version to be tested should have a different design.  
• Test impact of changing channels, variants, ease of use and additional prompts. | Highly relevant for CMA remedy 7 (overdraft eligibility checker) |

*Sources: FCA “Message Received”, March, 2015; CMA Provisional Findings Report, Table 5.6*
Some RBB/SME triggers were also effective.

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| 6     | Auto opt in low balance text alerts RBB/SME | • Text alerts did help RBB customers spend less time in excess (~10% excess occurrences v control), reduced the number of excess occurrences per month and increased the number of RBB customers applying to reduce their limit.  
• For SME customers the number of excess occurrences per month was also reduced. In addition, the treatment increased the % of customers opening a new product.  
• However, no significant impact on fees or balances.  
• Top 20% of excess fees have a lower monthly maximum excess balance.  
• As with PCA, heavier excess users tended to opt out of the trial.  
• Positive customer feedback on trial. | • Explore different limits, different variants including multi channel, repeat frequency.  
• Trial across multi-provider to increase sample size and assess ease of use. | Elements of CMA remedy 1 relating to event triggers. |
| 7     | Annual Summary Statements RBB/SME | • Limited significant impacts with this trial.  
• RBB customers with relatively high/medium account costs reacted to treatment by opening new accounts and changing limits.  
• Top 20% by fees reacted most strongly.  
• Similarly relatively high/medium account costs SME customers also opened accounts. | • Limited impact  
• Consider redesign and alternative calls to action.  
• Also use multi-provider to increase sample size. | Elements of CMA remedy 1 relating to periodic prompts. |

*Sources: FCA “Message Received”, March, 2015; CMA Provisional Findings Report , Table 5.6
There are also some general insights from the LBG trials that are relevant to the CMA’s trials process. (1/2)

### 1. Well-designed trials take time
- Good trials should iterate, learn, adapt, combine and improve. Through learning and iteration better results can be achieved, although this takes time: LBG trials took a little less than a year.
- Careful design of the trial (testable hypotheses, sample selection and size, proper control and randomisation process, data collection process and so on) is vital.
- Lab trials should be considered to determine best trial variants in advance of field trials.

### 2. Small details make big differences
- LBG (and others) find small differences in customer prompts can have a big impact.
- For example, if personal information is included or not; precise wording, format and even font can all affect response rates.
- The best channel or combination of channels and frequency of prompts depends on the nature of the call to action and the target group.

### 3. Ease of action is important
- Understanding the customer journey from receipt of prompt through to action is critical. It needs to be as easy as possible.
- For example, acting on a letter, might need ringing a call centre, clearing security and further steps. Alternatively, emerging methods like mobile app push alerts may be easier to act upon and hence show higher response rates. These should be trialled versus letter, SMS and existing channels.
- Multi-lateral trials with different providers can reveal how different customer journeys affect response rates.

### 4. Targeting makes a difference
- Choosing the appropriate sample for treatment and control is important.
- The sample needs to be unbiased and yet appropriate to the treatment.
- LBG often found certain PCA and BCA sub segments to be more responsive.
- SME is a particularly diverse population. Not all trials will be relevant to all SME segments.

### CMA IMPLICATION
- CMA cannot expect significant instant impact from all remedies.
- Remedies will need trial and iteration over time to achieve effective behavioural change.
- CMA trials should explore multiple variants.
- Suggest lab trials prior to field launch.
- Treatments should include multi-contact, multi-channel options.
- Mobile OD checker and complaint insert need further research.
- CMA should identify target segments for all trials.
There are also some general insights from the LBG trials that are relevant to the CMA’s trials process. (2/2)

5 Complexity requires co-ordination
- With multiple trials across multiple providers, central project management and co-ordination become critical.

6 Replication increases robustness
- Experiments can refute or support hypotheses but they never prove them.
- The more repetitions supporting a hypothesis, the stronger the result.
- LBG did one-off trials that need repeating and refining to improve efficacy and ensure reliability.

7 Small effects can multiply
- Small magnitude effects in one-off trials can have large cumulative effects over time.
- LBG trials were run for 3 months, and we know customers exhibit these behaviours throughout the year. The cumulative effect of treating customers repeatedly and capturing a broader set of customers can have significantly higher impact than short term, one-off trials like these.

8 Context is important
- Reference markets are dynamic and so are market information and customer awareness.
- Greater awareness of CASS, of tools like eligibility checker or midata comparison may create a different context and hence different customer behaviour.

9 PCA ≠ BCA
- Obvious, but there are significant differences running trials in PCA compared to BCA
  - For example, sample sizes tend to be much larger in PCA.
  - Communication channels are clearer in PCA where the individual consumer is the recipient of prompts.
  - In BCA, there is typically an internal organisation through which prompts need to filter prior to action. Furthermore, SME customers tend to be more diverse.

CMA IMPLICATION

- CMA will need to identify cross functional experimental design team to co-ordinate trials.
- Some results can be counter intuitive.
- The process is iterative and adaptive.
- Small effects can be increased through multiple contacts, multiple channels and cumulative exposure.
- These trials were standalone. Increased social awareness may change outcomes.
- CMA needs to undertake differently designed trials for BCA to account for sample sizes and communication channels.
Further, the CMA could build on lessons from recent FCA behavioural trials.

### Examples of FCA led trials

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<th>Trial description</th>
<th>Behavioural impact and lesson</th>
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<tr>
<td><strong>Savings Statement Trial</strong></td>
<td>• <strong>Lesson</strong>: trialling several variants helps identify better approaches.</td>
<td>Interim results: FCA Savings statement switching box trial ongoing</td>
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<td>Different switching boxes in savings statements explored various treatments to increase switching (e.g. call to action, internal comparison, market comparison).</td>
<td>• Preliminary results show 2-5% response rates (depending on treatment) vs expected direct mail response of &lt;1%.</td>
<td></td>
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<tr>
<td><strong>General Insurance Renewal</strong></td>
<td>• <strong>Lessons</strong>: target groups within a given variant react differently</td>
<td>FCA Occasional Paper 12: Encouraging consumers to act at renewal December 2015</td>
</tr>
</tbody>
</table>
| Large RCT to test reactions to different types of information provided at renewal and whether this prompted people to switch in home and motor insurance markets. |   • The inclusion of last year’s premium on renewal notices had the greatest impact, prompting between 11% and 18% more people to either switch provider or negotiate a lower premium when prices sharply increase.  
   • Customers who received on average a price increase of over 5% at renewal reacted most.  
   • The FCA also tested three other disclosure options. |                                                                         |
| **Overdraft Messages**                                 |   • **Lessons**: cumulative effects are important; trial magnitudes can be small; there may be significant variation within reported averages. |   FCA Occasional Paper 10: Message Received, March 2015                |
| Not an RCT, but rigorous examination of different forms of communication (letter, text, app) and their effects on customer behaviour. |   • Text alerts reduced average monthly unarranged overdraft charges by 6% (£0.22).  
   • Mobile banking apps reduced average monthly unarranged overdraft charges by 8% (£0.33) for Bank A and by 5% (£0.23) for Bank B.  
   • Signing up to both services reduced monthly charges by 24% (£0.93) for Bank A.  
   • Annual statements had no effect. |                                                                         |
| **Insurance Redress Letters**                          |   • **Lessons**: small variant changes can make a big difference in response rates.           |   FCA Occasional Paper 2: Redress letters, April 2013                   |
| RCT looking at variants of a redress letter sent to 200,000 financial service customers, including follow up reminder. (7 variants = 128 treatment groups). |   • Response rate went up from 1.6% to 12% in the most successful treatment group.          |                                                                         |
| **Savings Rate Change Letter**                         |   • **Lessons**: repeat contact builds awareness and increases behavioural change.           |   FCA Occasional Paper 7: Savings rate renewal letters, Jan 2015        |
| RCT examining variants of savings rate change reminder letter and its timing (control, standard reminder, loss reminder, gain reminder). |   • Switching increased by between 5.6% to 7.9% with reminders.  
   • This, relative to a base switching rate (control) of approximately 50% to 70% |                                                                         |
Conclusions.

Key implications for CMA remedy design

- To develop effective, evidence based remedies that seek to change customer behaviour, a well-designed and iterative programme of trials and behavioural research is needed to properly understand what works.

- In this context, these one-off LBG trials have provided a variety of lessons about the pros and cons of various trial design approaches. There are also lessons from recent FCA experience in other related markets.

- Developing effective tools to influence customer engagement is an adaptive, long term exercise. The CMA should be prepared for this, and build this into the governance and timing aspects of the relevant remedies.

- Some of the LBG trials show the need for careful redesign following some possibly counter-intuitive outcomes, particularly around OD eligibility and using complaints as a trigger to action. Others showed the need for refinement and evolution to improve their existing efficacy e.g. text alerts and planned limit alerts.

- The CMA is uniquely placed to initiate large scale trials, across multiple providers and develop remedies which will change customer engagement for the better. These might be undertaken in partnership with the others such as the FCA.

- LBG hopes that the insights shared here will be a valuable input for the CMA as it starts to design its remedies in more detail, and that this evidence will help the CMA to focus and refine its ideas.

- Where there is specific read across between the LBG trials and the CMA’s proposed remedies, the CMA can use this insight to benefit from the work LBG has already undertaken. LBG would welcome a meeting to discuss these results further.
1 PCA Planned Limit Availability
Trial prompts customers to save by changing OD limit.
Three channels; 60,000 customers

HYPOTHESIS
Providing customers that go unplanned with timely information around available planned limits will lead to a reduction in unplanned fees going forward and customers being better off in the long term

CHANNELS

- Letter
- SMS
- Digital Prompts

METRIC
- Increased overdraft limit
- Reduction in days in unplanned
- Lower overall fees
- No longer incurring unplanned fees
- Lower debit balance (long term)
- Understanding channel effectiveness

SAMPLE SELECTION
- Data selection was limited to one brand only (Halifax)
- Only customers with occasional unplanned overdraft usage (customers unplanned 1-2 of the last 6 months) were included to ensure that increased borrowing was not offered to customers with heavy overdraft usage
- A business decision was made to include customers with a non-Marketing indicator to understand whether a message of this nature could benefit customers who do not usually receive communications considered as financial promotions

RANDOMISATION PROCESS
- Standard randomisation
- To build a control group of 20k customers (to enable an accurate comparison against the treatment group), a control group was formed from equivalent populations within the letter and SMS control groups who met the Digital lead control group criteria

CUSTOMER ACTIONABILITY
- Ease to act varied amongst the channel communications. Customers who received an SMS or who saw a Digital banner were able to navigate directly from the communication to an overdraft application process, whereas customers receiving the letter needed to log on or call to action their request
- Customers who clicked through from the SMS to apply for an overdraft would have gone straight to browser.
- However, customers who logged in to the app to apply, would have been redirected to a browser to complete their application, instead of staying in app as is now the case.
Three month trial with different calls to action.
Customers chosen to minimise risk of increased indebtedness

HYPOTHESIS
Providing customers that go unplanned with timely information around available planned limits will lead to a reduction in unplanned fees going forward and customers being better off in the long term

HIGH-LEVEL TEST STRUCTURE:

<table>
<thead>
<tr>
<th>CHANNEL</th>
<th>CUSTOMERS TREATED</th>
<th>COMMS DATES</th>
<th>EST RESPONSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>DIGITAL BANNERS</td>
<td>20k</td>
<td>MAY, JUN, JUL</td>
<td>200-300</td>
</tr>
<tr>
<td>LETTERS</td>
<td>20k</td>
<td>APR, 22 MAY, JUN</td>
<td>200-300</td>
</tr>
<tr>
<td>SMS</td>
<td>20k</td>
<td>MAY, JUN, JUL</td>
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SELECTION CRITERIA
1. Customer must have a clear incentive to act, avoiding situations where limit increase might add to overall debt
   - Occasionally unplanned
   - Sufficient additional/new limit available
   - Stability around limit availability

Test Segment
- Has an existing overdraft limit
- Has no overdraft limit

Call to Action
- Reduce costs immediately by adding a planned limit
- Increase planned limit to cover occasional overspend
- Discuss other solutions e.g. debt consolidation

Behavioural Change
- Reduction in unplanned fees incurred
- Reduction in days unplanned
- Reduction in overall debt
One variant was used for direct mail channel

Message designed for optimum impact

Header used to catch customer attention as a service message

HERE’S HOW WE COULD HELP YOU REDUCE OVERDRAFT FEES.

Dear Mr Sample,

Over the last six months there have been times you’ve been charged an unplanned daily overdraft fee of £5. We want to help you reduce the fees you pay. Apply for a planned overdraft and it means that if you go overdrawn again, the fees you pay could be much lower.

As an example if you used an unplanned overdraft for three days a month you would be charged £5 a day in fees, that’s £15 in total. But if this had been a planned overdraft it could have cost you as little as £1 a day in fees; that’s £3 a month.

The information to the right highlights the costs of a planned overdraft compared to an unplanned overdraft.

A couple of things to bear in mind. The availability of a planned overdraft and your limit will depend on your circumstances when you apply and will be subject to eligibility, and we can ask you to repay your overdraft back in full at any time.

Not sure you’ll use a planned overdraft?
Need it or not it’s good to have a plan. It costs nothing to set up and if you do go overdrawn and stay within your planned limit, you’ll pay much less in fees.

Johnson box used to highlight the costs of planned and unplanned borrowing

DAILY OVERDRAFT FEES.

UNPLANNED OVERDRAFT

By using this, your daily fee has been

£5

PLANNED OVERDRAFT

Daily fees are:

For overdraft amounts £0 to £1,999.99

£1

For overdraft amounts £2,000 to £2,999.99

£2

For overdraft amounts £3,000 and above

£3

REPRESENTATIVE EXAMPLE:

If you use a planned overdraft of £1,200, then we’ll charge you a daily fee of £1.

Example gives typical saving based on unplanned usage by treatment group

Limitations

- The example typical fee saving was generic to the overall treatment group; it was not possible to personalise to each customer

Other variants

- There were 4 variants of the letter; depending on whether the customer had an existing planned limit or not, and whether the customer held a packaged or non-packaged bank account
- Different format, personalisation, wording and reminder variants could be explored

Option selection

- Wording was intended to be impactful by highlighting how a planned limit could save customers money; however, a representative example rather than personal, may have diluted the impact of the messaging
- Ease to act was more difficult for this channel than for SMS or Digital prompt
One variant was used for SMS channel
Slight message changes occurred over time

Trial constraints
- Messages were issued to customers around the 20th working day of the month. This may have been close to payday for a large number of customers with monthly pay, therefore may have impacted the customer’s propensity to take up/change their overdraft limit.

Other variants
- There was a slight variation in the wording of the repeat messages sent in the second and third month of the trial. They referred to fees incurred in ‘the last 7 months’ and ‘the last 8 months’.
- Tighter targeting of customers who had incurred fees in a shorter time period, e.g. within the last 3 months, might increase the impact and subsequent response rate.

Option selection
- The first line was chosen to align to the letter and to make the message impactful, based on the recency of the customer incurring unplanned fees. However, references to ‘unplanned’ fees were deliberately avoided as it was deemed too complicated to explain succinctly.
- Call to action was simple for any customers with a smartphone. However, as referenced earlier in the pack, customers applying via the Mobile Banking app would have been redirected to the mobile optimised browser.
- Opt-out message was clear and simple for customers. A higher volume of opt-outs was seen following the second message.
- Original intention was to keep the message within the parameters of one text message, however this was not possible when building in Legal requirements and opt-out clause.
One variant was used for Digital channel
MESSAGING CONSISTENT WITH DIRECT MAIL CHANNEL

Practical constraints
- Customer visibility of prompt was dependent on the frequency of log-in and prioritisation against other Digital leads
- Customers selected for the trial needed to have logged on within the last month

Other variants
- There were 4 variants of the prompt; depending on whether the customer had an existing planned limit or not, and whether the customer held a packaged or non-packaged bank account
- Different format, personalisation, wording and reminder variants could be explored

Option selection
- Decision was made to replicate as much as possible of the letter content; this is not the standard LBG approach to Digital prompts
- More succinct messaging was considered but was rejected as the message became less powerful without the reference to recently incurred fees
- Actionability: call to action was one click through to manage their account and/or overdraft

Johnson box used to highlight the costs of planned and unplanned borrowing
Header used to catch customer attention as a service message
Example gives typical saving based on unplanned usage by treatment group

REPRESENTATIVE EXAMPLE:
IF YOU USE A PLANNED OVERDRAFT OF £1,200, THEN WE'LL CHARGE YOU A DAILY FEE OF £1.
## Aspects of the trial can be developed
Refinements can be made in future iterations

<table>
<thead>
<tr>
<th>Refinement</th>
<th>Impact</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Post-trial measurement period</td>
<td>1. Unable to determine impact of trial on the likelihood of the customer having a long-term change in their debit balance.</td>
<td>1. Revisit account balances/ customer behaviour at + 6 months/ + 12 months to investigate any long-term improvement/ reduction.</td>
</tr>
<tr>
<td>2. Drop outs</td>
<td>1. Reduction in size of treatment group for second and third communications due to c400 customers no longer meeting Credit Risk criteria.</td>
<td>1. No alternative recommendation – data was refreshed to ensure customers still met the required selection criteria.</td>
</tr>
<tr>
<td>3. Target group criteria</td>
<td>1. Trial results may show certain sample segments yield greater behavioural response than others</td>
<td>1. Depending on results, consider tighter selection criteria for communication</td>
</tr>
<tr>
<td>4. Limited treatments variants</td>
<td>1. Trial insight constrained by limited number of treatment variants</td>
<td>1. Consider further trials (lab and field) with multi-channel, multi-frequency and variety of format/wording treatment combinations</td>
</tr>
<tr>
<td>5. Cumulative effects</td>
<td>1. The trial was a one off, over a constrained time period.</td>
<td>1. Investigate repeated contacts over an extended period to assess cumulative effects.</td>
</tr>
</tbody>
</table>
Complaints relating to the trials were low
Trial opt out rates were low

<table>
<thead>
<tr>
<th>Trial</th>
<th>Complaint Volumes</th>
<th>Complaint Themes</th>
</tr>
</thead>
</table>
| Planned limit – SMS channel | 7 | Low % of SMS complaints (<0.1%). Complaint themes (and number of complaints) were:  
1. Relevance - customer did not think they had been unplanned within the quoted timeframe (3)  
2. No Marketing Indicator (NMI) – customer unhappy at receiving SMS as they had an NMI on their account (2)  
3. Clarity of communication - customer remained within the overdraft buffer on the one occasion that they went unplanned (1)  
4. Incorrect mobile number on file – number held on file for the account did not belong to customer (1)  |

<table>
<thead>
<tr>
<th>Opt-Out Volume</th>
<th>Opt-out %</th>
<th>Commentary</th>
</tr>
</thead>
</table>
| 293            |           | Volume of opt-outs includes:  
• 74 customers who opted-out on receipt of first SMS  
• 219 customers who opted-out on receipt of second SMS |
The PCA availability of planned limit trial shows customers changing their planned limit and using their unplanned overdraft less.

### Hypothesis

Customers who are told that they can have a planned overdraft limit:

- Will be more likely to apply for a planned limit
- Less likely to incur overdraft charges

### Success criteria

- Increased limit
- Lower unplanned fees
- Lower debit balance
- Understanding channel effectiveness

### We have looked at trends for:

- Amount and number of unplanned OD fees
- Number of days in unplanned OD
- Number of unplanned OD occurrences
- Average and maximum value of unplanned OD
- Probability of changing planned limit
- Probability of opening a cross-product account

### Results

1. Customers reacted and changed planned limits under the treatments. The exception was customers without a limit prompted via internet banking.
2. SMS was most effective for those with a planned limit (42%+ vs. control). DM for those without (39%+ vs. control) NB these % differences are relative to small original effects.
3. Timeliness of messages was important: customers incurring fees in a given month were more likely to act than others in the treatment.
4. Absolute magnitudes: 1% to 0.2% more customers changed limits, depending on treatment.
5. Heaviest fee payers were least likely to change limits.
6. Prompt caused some customers to open a new account or product (15-20%+ v control).
Availability of planned limit – summary results

Customers also opened new accounts as a response

IB channel saw a drop in unplanned fees

Direct mail was most effective for customers without a planned limit

Counterintuitively, the treatment increased overdraft balances for some customers

SMS was most effective for customers with an existing planned limit

Key learnings

- Customers do respond to targeted and relevant communication, in particular those without a planned limit to start with
- SMS may be more effective for behaviour change that involves less “hassle” (increasing planned limit, rather than setting up a new one)

### Key learnings

- Customers do respond to targeted and relevant communication, in particular those without a planned limit to start with
- SMS may be more effective for behaviour change that involves less “hassle” (increasing planned limit, rather than setting up a new one)

### Statistical Significance

- Statistically significant impact: result in line with hypothesis
- Statistically significant impacts: results not in line with hypothesis
- Impact not statistically significant

<table>
<thead>
<tr>
<th>Sub-segment</th>
<th>Monthly unplanned fees (£)</th>
<th>% of customers changing planned limit</th>
<th>Days in unplanned OD per month</th>
<th>Monthly unplanned occurrences</th>
<th>Monthly unplanned balance (£)</th>
<th>Monthly max unplanned balance (£)</th>
<th>% of customers opening a new account</th>
</tr>
</thead>
<tbody>
<tr>
<td>ODL10: Direct mail / no planned limit</td>
<td>139 100 39%</td>
<td>94 100 6%</td>
<td>135 100 35%</td>
<td>118 100 18%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ODL11: SMS / no planned limit</td>
<td>116 100 16%</td>
<td>84 100 16%</td>
<td>93 100 7%</td>
<td>119 100 19%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ODL12: Internet Banking / no planned limit</td>
<td>82 100 -18%</td>
<td>114 100 14%</td>
<td>93 100 -7%</td>
<td>117 100 17%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ODL13: Direct mail / planned limit</td>
<td>114 100 14%</td>
<td>142 100 42%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ODL14: SMS / planned limit</td>
<td>142 100 42%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ODL15: Internet Banking / planned limit</td>
<td>88 100 -12%</td>
<td>129 100 29%</td>
<td>93 100 -7%</td>
<td>117 100 17%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Results have been indexed for redacted version; “E” is base.
Customers did change planned limits as a result of treatment

% uplift large; absolute impact [<5%] change limits

14% uplift

16% uplift

29% uplift

39% uplift

No significant impact
Timely, targeted communication is likely to be most effective
Customers were more likely to change limit if they incurred fees in that month

**OD10: Direct Mail / No planned limit**

- **No OD fees incurred**: 38%
- **Whole sample**: 39%
- **OD fees incurred**: 56%

**OD14: SMS / Planned limit**

- **No OD fees incurred**: 40%
- **Whole sample**: 42%
- **OD fees incurred**: 4.9%

**OD13: Direct Mail / Planned limit**

- **No OD fees incurred**: 1%
- **Whole sample**: 14%
- **OD fees incurred**: 31%

**OD15: Internet Banking / Planned limit**

- **No OD fees incurred**: 41%
- **Whole sample**: 29%
- **OD fees incurred**: 3%

The % impact of treatment:
- Significant impacts
- Non-significant impacts
- The % impact of treatment

RESULTS
The highest fee payers are less likely to change their planned limit.

### Results

The % impact of treatment:

**OD10: Direct Mail / No planned limit**
- **Bottom 90% of OD fees**: 47%
- **Whole sample**: 39%
- **Top 10% of OD fees**: -12%

**OD11: SMS / No planned limit**
- **Bottom 90% of OD fees**: 21%
- **Whole sample**: 15%
- **Top 10% of OD fees**: -4%

**OD12: Internet Banking / No planned limit**
- Non significant impact

**OD13: Direct Mail / Planned limit**
- **Bottom 90% of OD fees**: 14%
- **Whole sample**: 14%
- **Top 10% of OD fees**: 18%

**OD14: SMS / Planned limit**
- **Bottom 90% of OD fees**: 42%
- **Whole sample**: 42%
- **Top 10% of OD fees**: 37%

**OD15: Internet Banking / Planned limit**
- **Bottom 90% of OD fees**: 34%
- **Whole sample**: 29%
- **Top 10% of OD fees**: 1%
Customers prompted via internet banking incurred lower fees

There is some evidence that the highest fee payers saved the most

OD12: Internet Banking / No planned limit

[10-20]p reduction per month, or 18% drop

OD15: Internet Banking / Planned limit

[20-50]p reduction per month, or 12% drop

Amount of Unplanned Overdraft Fees in month (Internet banking / no planned limit)

<table>
<thead>
<tr>
<th>Impact (£)</th>
<th>Bottom 90% of OD fees</th>
<th>Whole sample</th>
<th>Top 10% of OD fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>I:</td>
<td>-19%</td>
<td>-18%</td>
<td>-17%</td>
</tr>
</tbody>
</table>

Amount of Unplanned Overdraft Fees in month (Internet banking / planned limit)

<table>
<thead>
<tr>
<th>Impact (£)</th>
<th>Bottom 90% of OD fees</th>
<th>Whole sample</th>
<th>Top 10% of OD fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>I:</td>
<td>-13%</td>
<td>-12%</td>
<td>-17%</td>
</tr>
</tbody>
</table>
Averaging can often hide impacts on customer sub-groups

The highest fee payers in direct mail / no planned limit saw a larger fee reduction

<table>
<thead>
<tr>
<th>Impact (£)</th>
<th>Bottom 90% of OD fees</th>
<th>Whole sample</th>
<th>Top 10% of OD fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>I:</td>
<td>-4%</td>
<td>-1%</td>
<td>28%</td>
</tr>
</tbody>
</table>

No apparent effect looking at whole sample…

…but £[1-1.50]/month reduction (28%) for top 10%

Significant impacts
Non-significant impacts
The % impact of treatment
Three channels/segments showed reduced unplanned occurrences…

The bottom 90% of fee payers see a significant reduction

**RESULTS**

**OD10: Direct Mail / No planned limit**

- **Number of unplanned occurrences**
  - Treatment pre-trial: 6% drop
  - Treatment post-trial: 6% drop
  - Control pre-trial: -8%
  - Control post-trial: -6%

**OD12: IB / No planned limit**

- **Number of unplanned occurrences**
  - Treatment pre-trial: 7% drop
  - Treatment post-trial: 7% drop
  - Control pre-trial: -8%
  - Control post-trial: -7%

**OD15: IB / Planned limit**

- **Number of unplanned occurrences**
  - Treatment pre-trial: 7% drop
  - Treatment post-trial: 7% drop
  - Control pre-trial: -8%
  - Control post-trial: -10%
... and a reduction in days unplanned for some customers

The bottom 90% of fee payers see a significant reduction

**OD12: Internet Banking / No planned limit**

- **16% drop**

**OD15: Internet Banking / Planned limit**

- **No significant impact on average**

**Number of days unplanned (Internet banking / no planned limit)**

- **17% drop**

**Number of days unplanned (SMS / planned limit)**

- **8% drop**

**Impacts**

- **Bottom 90% of OD fees**
- **Whole sample**
- **Top 10% of OD fees**

- **I:**
  - -17%
  - -16%
  - -13%
The prompts also caused customers to open alternative accounts.

**OD10: Direct Mail / No planned limit**

- **Treatment pre-trial**: 18% increase
- **Treatment post-trial**: 19% increase
- **Control pre-trial**: 17% increase
- **Control post-trial**: Estimated impact

**OD12: Internet Banking / No planned limit**

- **Treatment pre-trial**: 18% increase
- **Treatment post-trial**: 19% increase
- **Control pre-trial**: 17% increase
- **Control post-trial**: Estimated impact

**OD15: Internet Banking / Planned limit**

- **Treatment pre-trial**: 18% increase
- **Treatment post-trial**: 19% increase
- **Control pre-trial**: 17% increase
- **Control post-trial**: Estimated impact
The results are very sensitive to the time period used. Sensitivity analysis was conducted on the “post-trial” period.

Which “post-trial” period should we use?

- Main findings used the period May – August for direct mail and SMS trial cells and July – August for internet banking.
- Communications were sent out on 22\textsuperscript{nd} May for the direct mail and SMS trial cells.
- The first communications were sent out on 26\textsuperscript{th} May, but some customers started receiving the treatment later in the Summer. Communications stopped on 22\textsuperscript{nd} August.

Other options for the “post-trial” period

1. May – August
2. May – September
3. June – August
4. June – September
5. July – August
6. July – September

How sensitive are results to the choice of period?

- For direct mail and SMS, for each trial cell the results are only significant for one or two post-trial periods. The results are very sensitive to timing.
- For internet banking, there are no significant results when including May. For other periods, some of the results are not significant across all time periods.
2 PCA SMS Low Balance Alerts
The trial alerts customers to near and over OD limit.
SMS channel; 50,000 customers

**HYPOTHESIS**
Auto opting customers into ‘near limit’ and ‘over limit’ alerts will reduce accidental use of unplanned overdrafts and therefore reduce overall fees

**CHANNELS**
- Letter at launch
- SMS
  - 50k customers in SMS trial
  - 350k in unplanned each month

**METRIC**
- Reduced discretionary debit card usage into unplanned
- Lower unplanned fees
- Reduction in days in unplanned
- Lower debit balance (long term)
- Increased overdraft limit

**SAMPLE SELECTION**
- 50K from all gone unplanned in last 3 months

**RANDOMISATION PROCESS**
- No issues in randomisation of treatment or control groups

**CUSTOMER ACTIONABILITY**
- There were no barriers to customer action, although the manual process resulted in customers not receiving messages until after 10am. This may have resulted in customers having insufficient time to prevent spending or take action (although customers could transfer money into their account by Internet, Telephone or Mobile Banking at any time)
Four month trial with different calls to action.
Customers with unplanned OD in last 3 months targeted

**HYPOTHESIS**
Auto opting customers into ‘near limit’ and ‘over limit’ alerts will reduce accidental use of unplanned overdrafts and therefore reduce overall fees

**HIGH-LEVEL TEST STRUCTURE:**

<table>
<thead>
<tr>
<th>CHANNEL</th>
<th>CUSTOMERS TREATED</th>
<th>COMMS DATES</th>
<th>EST RESPONSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>LETTER</td>
<td>50k</td>
<td>11 MAY JUN JUL AUG</td>
<td>N/A</td>
</tr>
<tr>
<td>SMS</td>
<td>49k</td>
<td>20 MAY JUN JUL 28 AUG</td>
<td>N/A</td>
</tr>
<tr>
<td>SMS</td>
<td>49k</td>
<td>MAY JUN JUL 21 AUG</td>
<td>N/A</td>
</tr>
</tbody>
</table>

1. Customer must have a clear incentive and the ability to act
   - Unplanned within the last 3 months
   - Not unplanned all of the latest month

**SELECTION CRITERIA**

**Test Segment**
- Has an existing overdraft limit
- Has no overdraft limit

**Call to Action**
- Customer credits account to avoid unplanned fees
- Customer reduces spending to avoid unplanned fees
- Customer applies adds/increases existing limit

**Behavioural Change**
- Reduction in accounts going unplanned
- Reduction in days unplanned and fees incurred
- No improvement for those opting out of service

1 Reduced as some customers opted out
**SMS channel used to alert customers near or over limit**

An opting in letter was sent to advise of alerts trial

---

### Opting in letter

**Header used to catch customer attention as a service message**

**NodeXbox used to highlight the costs of planned and unplanned borrowing**

---

**SMS alert**

---

### Practical constraints
- Due to the decommissioning of a bulk auto-enrolment process, the trial had to be conducted using a manual process, replicating the existing proposition as closely as possible.
- This meant that customers could not choose to opt in with a new mobile number and could only opt out by SMS.

---

### Other treatments
- Aligned with existing Retail text alert
- Could consider other wording variants + channels (eg app).
- Could consider different or customisable trigger limits.

---

### Variant selection
- No other wording variants were considered, as the decision was made to align alert wording to existing Retail text alert proposition.

---

**Letter sent to the treatment before the treatment started**

**SMS sent as treatment**
### Aspects of the trial can be developed

**Refinements can be made in future iterations**

<table>
<thead>
<tr>
<th>Refinements</th>
<th>Impact</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> Timeliness of manual process</td>
<td>1. As balance data was not available until 10am each working day (at the earliest), customers may already have spent money / may have had insufficient time to act.</td>
<td>1. Follow automated text alert issuance processes, if the ability to bulk enrol customers exists.</td>
</tr>
<tr>
<td><strong>2</strong> Incorrect mobile number on file</td>
<td>1. There were a group of customers in the treatment group who could not receive text alerts due to bank records holding an incorrect mobile number.</td>
<td>1. Build in an automated process to opt-in with a new mobile number.</td>
</tr>
<tr>
<td><strong>3</strong> Cumulative effects</td>
<td>1. The trial was a one off, over a constrained time period.</td>
<td>1. Investigate repeated contacts over an extended period to assess cumulative effects.</td>
</tr>
</tbody>
</table>
Complaints relating to the trial were low
Opt-out volumes were higher than forecast

<table>
<thead>
<tr>
<th>Trial</th>
<th>Complaint Volumes</th>
<th>Complaint Themes</th>
</tr>
</thead>
</table>
| Text Alerts | 3 | Very low % of SMS complaints (<0.01%). Complaint themes were:  
1. Timeliness – near limit text alert received after a customer’s salary had credited their account, therefore caused concern that the customer had not been paid  
2. Awareness of trial - customer had either not received trial introduction letter or had forgotten it, therefore was concerned that he was incorrectly receiving information about someone else’s account  
3. Auto-opt in - customer unhappy to have been automatically registered for text alerts and colleagues were unable to provide correct information on |

<table>
<thead>
<tr>
<th>Opt-Out Volume</th>
<th>Opt-out %</th>
<th>Commentary</th>
</tr>
</thead>
</table>
| 3,495          | 7% overall opt-out rate across treatment group  
0.74% average daily opt-out rate on receipt of a text alert | Volume of opt-outs includes:  
• 88 customers who opted-out after receiving the introductory letter  
• 894 customers who opted-out after receiving the reminder message (a week before the trial commenced)  
• 2,413 customers who opted-out after receiving a text alert  
N.B. Of the 982 customers who opted-out on receipt of the letter or reminder message, some of these will have opted-out due to an incorrect mobile number being held on file, however the exact volume is unknown |
The PCA low balance text alerts trial reduces unplanned fees and time spent unplanned

<table>
<thead>
<tr>
<th><strong>Hypothesis</strong></th>
<th><strong>Success criteria</strong></th>
<th><strong>We have looked at trends for:</strong></th>
</tr>
</thead>
</table>
| Sending customers low balance text alerts will lead to: | • Reduced usage of unplanned overdraft  
• Lower unplanned fees  
• Lower debit balance  
• Lower complaints around fees | • Amount and number of unplanned OD fees  
• Number of days in unplanned OD  
• Number of unplanned OD occurrences  
• Average and maximum value of unplanned OD  
• Probability of using unplanned OD  
• Probability of changing planned limit |

### Results

1. Treated customers reduced unplanned fees and time unplanned.

2. ~1% of treated customers saved £5+ per month v control by not going unplanned. The top 20% of fee payers saved [100-150]p/month on average. CMA average provider OD income was £4.11/month.

3. FCA found 30p/month reduction with SMS alerts (Message Received). LBG found [25-75]p/month average reduction across the treatment group.

4. Alerts also positively affected days unplanned ([2-5] days/yr less); unplanned occurrences (3% less/month) and customers going unplanned (2% less/month).

5. Customers who opted out before the trial started tended to be heavier OD users.

6. Daily analysis shows most impact from alert in first 24 hours.
Treated customers reduced unplanned fees and time unplanned.

[25-75]p reduction in unplanned fees per month, a 6% reduction

Customers use their unplanned overdraft less on average

<table>
<thead>
<tr>
<th>Trial</th>
<th>Monthly unplanned fees (£)</th>
<th>% of customers changing planned limit</th>
<th>% of customers using unplanned OD</th>
<th>Days in unplanned OD per month</th>
<th>Monthly unplanned occurrences</th>
<th>Monthly unplanned balance (£)</th>
<th>Monthly max unplanned balance (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low balance text alerts</td>
<td>94</td>
<td>100</td>
<td>98</td>
<td>100</td>
<td>93</td>
<td>100</td>
<td>97</td>
</tr>
</tbody>
</table>

Initial lessons

- Opt-out SMS alerts need to be well targeted
- Results suggest they do influence behaviour and help customers avoid going unplanned
- FCA found that opt-in text alerts reduce unplanned fees by 5-8%, equivalent to 20-30p on average.

Note: Results have been indexed for redacted version; “E” is base.
The top 20% of fee payers saved [100-150]p/month on average. [25-75]p/month average reduction across whole treatment group.

- Average reduction of [25-75]p per month in unplanned fees, a 6% reduction
- Larger absolute reduction compared to the FCA research that found opt-in text alerts reduce unplanned fees by 20-30p on average, equivalent to 5-8%
- Customers paying the top 20% of fees before the trial saved [100-150]p per month on average, a 5% reduction
- Customers in the bottom 80% still saved over [25-75]p per month.
- The trial was targeted at unplanned overdraft users

<table>
<thead>
<tr>
<th>Treatment</th>
<th>Control</th>
<th>Estimated impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>pre-trial</td>
<td>pre-trial</td>
<td>95% Confidence Interval</td>
</tr>
<tr>
<td>post-trial</td>
<td>post-trial</td>
<td>95% Confidence Interval</td>
</tr>
</tbody>
</table>

Amount of unplanned overdraft fees in month, £

- The % impact of treatment

Amount of Unplanned Overdraft Fees in month

- Bottom 80% of fees
- Whole sample
- Top 20% of fees

I: -8% -6% -5%
Text alerts targeted at the right customers are most effective
Receiving text alerts helped customers reduce unplanned fees

• Average reduction of [50-100]p per month in unplanned fees, a 5% reduction for customers who received at least one near limit alert (within £20 of their planned limit)

• Average reduction of [50-100]p per month, a 5% reduction, for customers who received at least one over limit alert, despite still using their unplanned limit
Alerts also positively affected days unplanned; unplanned occurrences and customers going unplanned.

**Days unplanned**

Average reduction in days unplanned of [0-1], a 7% reduction - equivalent to [2-5] days per year less.

**Unplanned occurrences**

Average 3% reduction in the number of unplanned occurrences per month

**% customers going unplanned**

2% reduction in proportion of customers going unplanned – equivalent to nearly [0-10] in 100 fewer customers
Sub-segment analysis reveals nuances in customer behaviour

### Top 20% of customers by total overdraft charges incurred

#### Probability of using unplanned overdraft

- **Bottom 80% of fees**: -3%
- **Whole sample**: -2%
- **Top 20% of fees**: 0%

#### Number of unplanned occurrences

- **Bottom 80% of fees**: -4%
- **Whole sample**: -2%
- **Top 20% of fees**: 1%

#### Number of days unplanned

- **Bottom 80% of fees**: -8%
- **Whole sample**: -7%
- **Top 20% of fees**: -6%

---

**RESULTS**

The % impact of treatment

**Significant impacts**

**Non-significant impacts**

- The % impact of treatment

---

2 PCA Low Balance Text Alerts
Unsurprisingly, no alert yielded no impact.

### RESULTS

**Near limit alert received**

- **Number of unplanned occurrences**
  - Impact (#)
  - No near limit texts: 0%
  - Whole sample: -2%
  - I: 0% -2% -2%

- **Number of days unplanned**
  - Impact (#)
  - No near limit texts: 3%
  - Whole sample: -7%
  - I: 3% -7% -7%

**Over limit alert received**

- **Number of unplanned occurrences**
  - Impact (#)
  - No over limit texts: 0%
  - Whole sample: -2%
  - At least one over limit text: -1%
  - I: 0% -2% -1%

- **Number of days unplanned**
  - Impact (#)
  - No over limit texts: -7%
  - Whole sample: -7%
  - At least one over limit text: -6%
  - E: -7% -7% -6%
Customers who opted out were heavier unplanned users pre-trial

3% of customers in the treatment group chose to opt-out of SMS alerts

Opt-outs had **heavier overdraft usage before the trial** compared to those that did not opt-out

Lower balances / higher fees

More time unplanned

<table>
<thead>
<tr>
<th>Difference between non-opt-out and opt-out (£)</th>
<th>Unplanned OD fees</th>
<th>Average credit balance</th>
<th>Average OD balance</th>
<th>Ave unplanned balance</th>
<th>Maximum unplanned balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.9%</td>
<td>3.1%</td>
<td>72%</td>
<td>24.1%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Difference between non-opt-out and opt-out</th>
<th>Number of days unplanned (#)</th>
<th>Number of unplanned occurrences (#)</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20.7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The trial was targeted at customers who were most likely to benefit
The majority of customers received one or more text alerts during the trial

46,358 customers were in the treatment group for the text alert trial.

87% received at least one Near Limit Alert (within £50 of planned limit)

Of those, the average number of texts received over the trial period was approximately 6

64% received at least one Over Limit Alert

Of those, the average number of texts received over the trial period was approximately 10
Daily data reveals significant above limit volatility
Trial customers go through regular monthly and weekly financial stress

- Analysis must strip out daily volatility and control for when SMS alerts are triggered
- NB within a day a customer may go below limit, receive an alert and then replenish.
- Within day “dipping” not captured in daily data.

Proportion of accounts within limit without treatment

x% exceed limit around 1st of month

[Chart redacted]
Daily analysis shows most impact from alert in first 24 hours
x% increase in accounts within limit from treatment

- Control group simulated by matching “would have been alerted” from total control.
- Days are working days to strip out weekend effects.

**RESULTS**

Most impact (x%) seen in first 24 hours following alert. Declines thereafter.
The results are robust following the start of the trial

Sensitivity analysis was conducted on the “post-trial” period

Which “post-trial” period should we use?

- **Main findings used the period June – September.**
  - The first text message was sent on 19th May. The last was sent on 27th August.
  - May will be unaffected by the trial for many customers.
  - Unplanned fees is a key outcome we are interested in. There is a lag between a customer going unplanned, and incurring fees. Therefore, including September should captures this.

Other options for the “post-trial” period

1. May – August
2. May – September
3. June – August
4. June – September

How sensitive are results to the choice of period?

- Change in unplanned fees is fairly robust to the post-trial period used. It remains significant for periods 2-4, with slight differences in magnitude. The same is true for other results.
- However, results are not significant in option 1 (expect for days unplanned).
### HYPOTHESIS

Customers who receive a transparent summary of key areas of Current Account cost and value, act on the information and switch products/ change behaviour internally or switch out externally.

### CHANNELS

- 106k treatment; 41k control

### METRIC

- Customers switching products internally/externally
- Uplift in product queries
- Customers switching externally
- Reduction in use of unplanned overdraft
- Increased overdraft limit

### SAMPLE SELECTION

Overall this trial focused on Lloyds current account customers, holding Classic or Club Lloyds products. The 3 target segments were:

1. Classic a/c customers with £1000+ balances (we tested two segments £1000 - £5000 and £5000+), credit turnover £1500, earning low interest (<£10), not registered for rewards
2. Club Lloyds customers with £5000+ balances, credit turnover £1500, earning high interest (£60+), not registered for rewards
3. Classic or Club customers using an unplanned overdraft from 1 to 8 months during last 12 months, having an open to buy limit >= £200 over existing limit, their recommended limit had not reduced in last 3 months, not registered for rewards

**Technical constraints** - to achieve robust volumes for segments, need to simplify/combine criteria from original scope.

**Legal constraints** — Excluded added value account (AVA) products due to defining term usage re: insurance benefits. Excluded NMI’s (customers with no marketing indicators) due to service message in the creative

**Operational constraints** — security restrictions for e-mailing data, digital inbox just being trialled & Athena Gold unavailable to resource via inbox due to long lead times to build a campaign into this system

**Data constraints** — accuracy in providing specific data via Group Data Warehouse, could not re-create data used in current statements e.g. balance, ROI

### RANDOMISATION PROCESS

This is completed by a function within the ARM tool (Aprimo Relationship Manager). The criteria of the cells were built into ARM, the amount required to become the control cell is specified and then the function within ARM automatically randomises the data selections into the treatment and control groups.

### CUSTOMER ACTIONABILITY

Customer had to proactively go in branch, contact by telephone or visit website, no ability via DM to provide any simple link to action an immediate account upgrade or increase planned overdraft limits.

One off communication limits reinforcement of message and potential for action.
Three different customer segments approached.
Messages tailored to each group

HYPOTHESIS
Customers who receive a transparent summary of key areas of Current Account cost and value aggregated for the year, act on the information and switch products/change behaviour internally or switch out externally.

HIGH-LEVEL TEST STRUCTURE:

<table>
<thead>
<tr>
<th>CHANNEL</th>
<th>CUSTOMERS SELECTED</th>
<th>COMMS DATES</th>
<th>EST RESPONSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>LETTERS</td>
<td>95k treated, 40k control</td>
<td>MAY</td>
<td>1,330</td>
</tr>
</tbody>
</table>

**High Level Test Segment**

1. High/Med Average Credit Balance & Low Interest Earned – Classic accounts

2. High/Med Overdraft charges & Low/Med Overdraft Usage - Club & Classic accounts

3. High Average Credit Balance & High Interest Earned – Club accounts

**Primary Call to Action**

1. Earn more interest & upgrade to Club Lloyds

2. You could be paying less & eligible for planned OD

3. If you’d like to review anything on your PCA please call....

**Primary Behavioural Change**

1. Club upgrades & Account balance movement

2. Applications for increase or add a planned OD limit

3. Does statement prompt any account behaviour change or external switching
FCA reported that current bank annual statements did not stimulate changed behaviours

LBG aim is a more impactful statement to trigger behavioural change

Information tailored to customer. Eye tracking research shows customers scan read. Key information positioned on the right hand side which is where customer's eyes are naturally drawn.

Johnson box used to highlight key points from main body text.
One variant was tested for each segment
Design can be refined in further iterations

**Variant selection**
- Used “on average” instead of “regularly” in text to align to data criteria and included month/year data
- Letter format choice – limited by data accuracy/availability
- Call to action options:
  - Upgrade to Club account for credit interest or confirmation that Club is working well
  - To take up planned overdraft available to reduce unplanned costs
  - Sign up for everyday offers
- Considered & rejected:
  - Digital inbox, not available to use in timescales
  - Statement format giving specific amounts, concerns on accuracy of data available
  - Traffic Lights – different interpretations bank vs. customer
  - Inclusion of NMI customers – simplicity & speed
  - Joint accounts – only contacted primary account holder for greater simplicity
  - Email statement – security concerns meant expensive complex process

**Practical constraints**
- One shot communication.
- Not supported with multi-channel contact
- Not supported with inter-temporal reminders
- Only trialled one letter variant

**Other treatments**
- No other treatments trialled
## Aspects of the trial can be developed

Refinements can be made in future iterations

<table>
<thead>
<tr>
<th>Refinement</th>
<th>Impact</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Single channel of communication (DM)</td>
<td>1. Unable to build an easy process into DM for customer to upgrade/ increase planned overdraft limit</td>
<td>Consider multi-channel, multi-frequency contacts such as digital inbox</td>
</tr>
<tr>
<td>2 One communication of message</td>
<td>1. No ability to reinforce message through increased frequency or multiple channels</td>
<td>Issue supporting communication reminders</td>
</tr>
</tbody>
</table>
| 3 One variant tested                    | 1. Limited understanding of the effectiveness of the creative  
2. Limitations with data impacting personalised information that can be conveyed | Research alternative creative options: format, wording, design etc.               |
| 4 Cumulative effects                    | 1. The trial was a one off, over a constrained time period.                                                                                  | Investigate repeated contacts over an extended period to assess cumulative effects. |
There were no complaints about the annual statement
Some customers rang LBG to discuss calls to action options

- Complaints relating to the trials were very low, call responses were in line with expectations

<table>
<thead>
<tr>
<th>Trial</th>
<th>Complaint Volumes</th>
<th>Complaint Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAR</td>
<td>0</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trial</th>
<th>Call Volumes</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAR</td>
<td>480</td>
<td>Out of the 133,000 customers mailed, only 480 calls were received by telephony teams to discuss the statement and calls to action contained therein. Response rate of 0.36% – higher response rates may have been possible if digital channel was used.</td>
</tr>
</tbody>
</table>
### Hypothesis

Prompting customers to review their bank account will lead to:

- Increased switching of products internally
- Increased switching out externally
- Changes to other behaviour

### Success criteria

- Customers switching products internally
- Customers extending limits
- Customers switching externally
- Increase in product queries

### We have looked at trends for:

- Average balances when in credit and when in OD
- Average unplanned OD
- Number and value of credit and debit transactions
- Number of days in OD
- Probability of opening a new account
- Probability of changing planned limit

### Results

1. The trial had a mixed impact. Treatments affected low interest segments, but not unplanned OD users.

2. Twice as many high balance customers with low interest were prompted to internally switch by explicit call to action.

3. Customers with CTO>£1,500 most likely to respond to treatment.
The trial had a mixed impact. Treatments affected low interest segments, but not unplanned OD users.

Large increase in customers with high balances and low interest upgrading to Club Lloyds...

...captured more generally with this metric for any change in product/tariff

<table>
<thead>
<tr>
<th>Sub-segment</th>
<th>% of customers externally switching</th>
<th>% of customers upgrading to Club Lloyds</th>
<th>% of customers changing product or tariff</th>
<th>% of customers opening a new account</th>
<th>% of customers changing planned limit</th>
<th>Monthly unplanned fees (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAR10: Very high balance, low interest</td>
<td>T 203 E 100 I 103%</td>
<td>T 192 E 100 I 92%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAR11: High balance, low interest</td>
<td>T 166 E 100 I 66%</td>
<td>T 147 E 100 I 47%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAR12: High balance, high interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAR13: Unplanned OD usage in last 12m</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The prompt was not effective for customers that have been in their unplanned overdraft in the last 12 months

<table>
<thead>
<tr>
<th>Sub-segment</th>
<th>Days in unplanned OD per month</th>
<th>Monthly credit balance (£)</th>
<th>Monthly debit balance (£)</th>
<th>Monthly unplanned balance (£)</th>
<th>Monthly credit transactions (£)</th>
<th>Monthly debit transactions (£)</th>
</tr>
</thead>
<tbody>
<tr>
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<td>T 203 E 100 I 103%</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key learnings

- Well targeted annual account reviews with clear calls to action can influence customer behaviour
- FCA also found no impact on fees, balances or external switching

Note: Results have been indexed for redacted version; “E” is base.
Twice as many high balance customers with low interest were prompted to internally switch by explicit call to action.

- **AAR10:** Very high balance, low interest
  - Number of customers upgrading doubles due to the trial

- **AAR11:** High balance, low interest
  - Number of customers upgrading increases by 1.5 times

- Not significant for:
  - AAR12: High balance, high interest; and
  - AAR13: Unplanned overdraft usage in last 12 months

- To be expected as this was not a call to action for these customers
Similarly, there is a significant impact on internal switching to other current accounts for customers with high balance and low interest.

- **AAR10**: Very high balance, low interest
- **AAR11**: High balance, low interest

The % upgrading almost doubles

The % upgrading increases by almost half

- **Not significant for**:
  - AAR12: High balance, high interest; and
  - AAR13: Unplanned overdraft usage in last 12 months
  - Again, no call to action relating to product switching for these customers
Trials should be targeted at customers who could benefit the most
Although there was not much variation within the sub-set of targeted customers

- Customers with the highest 20% of balances within each trial cell pre-trial are *slightly more likely* than customers in the bottom 80% to change product following the trial
- However, the customers were already well targeted for the trial, and all had *relatively* high balances
Customers with CTO>£1,500 most likely to respond to treatment.

Customers with CTO>£1,500 per month pre-trial are *much more likely* than customers with CTO <£1,500 to respond to the trial, for which there was no significant impact.
No significant and material impacts have been found for other metrics.

- No significant impacts found at aggregate level or sub-segment for:
  - % of customers externally switching
  - % of customers opening a new account
  - % of customers changing planned limit
  - Monthly unplanned fees (£)
  - Days in unplanned OD per month
  - Monthly credit balance (£)
  - Monthly debit balance (£)
The results are robust to the time period used
Sensitivity analysis was done on the “post-trial” period

| Which “post-trial” period should we use? | • **Main findings used the period June – August.**  
|   | • The communications were sent out on 22\textsuperscript{nd} May. |
| Other options for the “post-trial” period | 1. May – August  
|   | 2. May – September  
|   | 3. June – August  
|   | 4. June – September |
| How sensitive are results to the choice of period? | • The results are robust across almost all outcome variables to the post-trial period used.  
|   | • There are small variations in magnitude. |
Dissatisfied customers received a switching prompt insert.
Direct Mail channel; 10,000 customers

**HYPOTHESIS**
An insert outlining simplicity of switching may cause some PCA customers to act on the information by contacting the 3rd party advice services detailed in the insert and/or switching to another provider.

**CHANNELS**
- Letter
  - c10k customers

**METRIC**
- Increase in switch out rates
- Calls to money advice service

**SAMPLE SELECTION**
Sample restricted to customers whose complaints were escalated or received directly by Customer Services. Insert was enclosed in complaint Send Letters and Final Response Letters issued by Customer Services to current account holders excluding complaints pertaining to bereavement or power of attorney, Collections and Recoveries, and alleged packaged account mis-sales.

**RANDOMISATION PROCESS**
Highly manual sample selection process: customers selected manually by Customer Service agents for inclusion in trial and those included were identified by a ‘marker’ manually added by Customer Service agents. Only 50% of Customer Services colleagues were asked to support the process thereby creating the ‘treatment group’.

**CUSTOMER ACTIONABILITY**
No simple “one click” solution currently available to act on call to action. Options were for customers to phone the telephone number provided for the Money Advice Service to seek advice or visit the Simpler World website for information on the current account switching service.
HYPOTHESIS:
An insert outlining the simplicity of switching accounts sent out with banking complaint letter responses may cause some PCA customers to act on the information by contacting the 3rd party advice service detailed in the insert or switching to another provider.

HIGH-LEVEL TEST STRUCTURE:

<table>
<thead>
<tr>
<th>CHANNEL</th>
<th>CUSTOMERS</th>
<th>COMMS DATES</th>
<th>EST RESPONSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>LETTER</td>
<td>5K treated, 5k control</td>
<td>APR</td>
<td>MAY</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(~1,500 p/w)</td>
<td></td>
</tr>
</tbody>
</table>

High Level Test Segment
PCA Banking Complainant who is sent a response by Customer Services

Primary Call to Action
- Contact 3rd Party for more information / independent advice
- Option to move account to another provider

Primary Behavioural Change
- Call MAS or visit CASS website
- Switch Out

Dissatisfied customers received a switching prompt insert. Trial conducted over 2-3 month period.
One variant of insert used

Leaflet used to minimise risk of communication being viewed as an official letter

Practical constraints
- One shot communication.
- Not supported with multi-channel contact
- Not supported with inter-temporal reminders
- Only trialled one letter variant

Other treatments
- No other treatments or channels were trialled

Option selection
- Consideration given to standalone insert vs. inclusion in complaint response
- Limited options to enable straight through call to action; relying on existing infrastructure
- Avoidance of, “advice” related language
- Language ‘on brand’ for third party organisations

No LBG branding used. Third party branded.

MAS colours used and MAS ‘on brand’ language

CASS colours used and CASS ‘on brand’ language
# Aspects of the trial can be developed

Refinements can be made in future iterations

<table>
<thead>
<tr>
<th>Refinements</th>
<th>Impact</th>
<th>Recommendation</th>
</tr>
</thead>
</table>
| **1 Restricted timeframe available to conduct trial** | 1. Small data sample achievable during timeframe.  
2. Limited time to observe changes in customer behaviour | 1. Track customer behaviours for approximately 6 months after communication sent  
2. Execute trial for longer time to achieve a sample size that is larger than 10,000 customers |
| **2 Manual solution**                | 1. High risk of human error at various points in the process  
2. Potential that customers not issued with complaint letter insert  
3. Potential that some customers calls to Money Advice Service as a result of the insert were not logged against the trial | 1. Utilise an automated way of selecting customers for sample  
2. Less manual way of tracking treatment groups contact with third party |
| **3 Single variant**                 | 1. Only one insert variant trialled                                      | 1. Consider different variants with different calls to action  
2. Consider multi-contact, multi-channel treatments |
No complaints on trial were received.
Logged call volumes to Money Advice Service were low

<table>
<thead>
<tr>
<th>Trial</th>
<th>Complaint Volumes</th>
<th>Complaint Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complaint Letter Insert</td>
<td>0</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trial</th>
<th>Call Volumes</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complaint Letter Insert</td>
<td>5</td>
<td>Of the c.10,000 customers in the trial, only 4 calls were received by MAS in which customers referenced this mailing.</td>
</tr>
</tbody>
</table>
The PCA complaint letter insert provides no conclusive findings

**Hypothesis**

Trial will lead to:
- Increased contact with the 3rd party advice service
- Increased external switching

**Success criteria**

- Calls to Money Advice Service
- Increase in switch out rates
- Decrease in account activity

**We have looked at trends for:**

- Average balances (when in credit and OD)
- Average unplanned OD
- Number and value of credit transactions
- Number and value of debit transactions
- Probability of opening a new account

**Results**

1. Although directional impacts were positive, no statistically significant impact on switching rates.
2. Sub segment analysis by complaint type also revealed no significant impacts.
Although directional impacts were positive, no statistically significant impact on switching rates.

<table>
<thead>
<tr>
<th>Trial</th>
<th>% of customers externally switching</th>
<th>% of customers opening a new account</th>
<th>Monthly credit balance (£)</th>
<th>Monthly debit balance (£)</th>
<th>Monthly unplanned balance (£)</th>
<th>Monthly credit transactions (£)</th>
<th>Monthly debit transactions (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>T</td>
<td>E</td>
<td>I</td>
<td>T</td>
<td>E</td>
<td>I</td>
<td>T</td>
</tr>
<tr>
<td>Complaint Letter Insert</td>
<td>94</td>
<td>100</td>
<td>-6%</td>
<td>101</td>
<td>100</td>
<td>1%</td>
<td>89</td>
</tr>
</tbody>
</table>

Treatment shows no statistically significant effects.

...and no significant impacts were discovered when looking at different complaint types (sub segments).

Note: Results have been indexed for redacted version; “E” is base.
The trial had no significant impact, regardless of timing

Sensitivity analysis was conducted on the “post-trial” period

<table>
<thead>
<tr>
<th>Which “post-trial” period should we use?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>Main findings used the period June – September</strong></td>
</tr>
<tr>
<td>• Communications were sent out steadily between 8th June and 27th August.</td>
</tr>
<tr>
<td>• The period chosen provided the most amount of data given the small volumes.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other options for the “post-trial” period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. June – August</td>
</tr>
<tr>
<td>2. June – September</td>
</tr>
<tr>
<td>3. July – August</td>
</tr>
<tr>
<td>4. July – September</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How sensitive are results to the choice of period?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The trial showed no significant results across any metric.</td>
</tr>
<tr>
<td>• This holds across all post-trial period options</td>
</tr>
</tbody>
</table>
5 PCA Overdraft Eligibility Checker
Account applicants can use OD eligibility checker
Digital channels; ~200,000 customers

HYPOTHESIS
A simple pre-application overdraft eligibility tool. Some customers who would not normally apply will have the confidence to do so. Also those customers likely to fail can take alternative action and protect their credit history.

CHANNELS
desktop  mobile  tablet
c115k Lloyds; c80k Halifax
 equivalent control sizes

METRIC
• Reduced failed application rates
• Improved filtering of applications

SAMPLE SELECTION
• Tool was targeted towards users who are considering switching to Lloyds Bank and Halifax from their existing providers as well as customers who are considering applying for personal current accounts with these brands.
• Placed on the following Halifax pages: Reward PCA, Current Account, Easycash and Overdrafts
• Placed on the following Lloyds pages: Club, Classic, Cash and Overdraft
• An A/B test was conducted whereby half of visitors to the public site could see the tool and the other half could not.

Consideration should be given to whether the checker should also sit on the switching and PCA comparison pages of both brands

RANDOMISATION PROCESS
A/B test - the tool was available to use for half of all visitors on the Lloyds Bank and Halifax personal current account pages on the public sites.

CUSTOMER ACTIONABILITY
There were two steps to complete before customers could receive results:
1. Fill in a form with some personal details; and
2. Open email sent with verification code and enter this into the checker

Entering a correct verification code would take the customer to the results page of the Overdraft Eligibility Checker. Where the customer is probably eligible for a full facility PCA a link to the relevant PCA web page is provided if not the customer sees links for a basic PCA.
One design of tool was used.
Email verification was needed.

Eligibility Checker

Use the Halifax Eligibility Checker to find out how likely you are to be accepted for a current account and overdraft with us. Using this Eligibility Checker will not affect your credit profile.

It should take about 2 minutes to complete.

Check my eligibility

Practical constraints
- Only one design variant tested
- Different formats, layouts, calls to action etc could be trialled

Other treatments
- Email verification was the only fraud mitigation tested. We could consider other ways to verify users i.e. SMS verification or back office processing (as in the cards checker).
- An email with the results was sent to users who completed the process but no other reminders were sent after this.

Option selection
- Wording kept to a minimum, visual dial used.
- The overdraft dial was designed to move up and down as the customer moved the amount of required overdraft up and down.
- Likelihood shown for each account with + arrow to click through. Could have just pointed to the PCA comparison page.

Email verification was the only fraud mitigation tested. We could consider other ways to verify users i.e. SMS verification or back office processing (as in the cards checker).

An email with the results was sent to users who completed the process but no other reminders were sent after this.

Overdraft limit slider bar added to allow customers to indicate desired overdraft limit and chance of approval.

Speedometers used to align with other eligibility checkers in the market.

Current Account Options
- Reward Current Account
- Ultimate Reward Current Account
- Ultimate Reward Current Account
- Ultimate Reward Current Account

Overdraft Options
- The text indicates probability of approval for the specified overdraft amount.
- Chance of approval

Results Page
Aspects of the trial can be developed
Refinements can be made in future iterations

<table>
<thead>
<tr>
<th>Refinements</th>
<th>Impact</th>
<th>Recommendation</th>
</tr>
</thead>
</table>
| **1 Email verification was source of friction** | 1. Lloyds % dropping off at email verification: 3% (this is 5% of those who do not complete the checker)  
2. Halifax % dropping off at email verification: 7% (this is 11% of those who do not complete the checker)                                                                                                                                                                                                                                               | Consider using SMS for verifying contact details or look at other back office processes to identify if there is another route (as with the cards checker)                                                                                                                                                                                                                     |
| **2 Tool was not optimized for mobile users** | 1. Tool took up more screen space when viewed on mobiles resulting in users needing to scroll to view the full page.  
2. Scrolling of page may have demotivated some users from proceeding until results were obtained.                                                                                                                                                                                                                                           | Optimise tool for mobile and tablet usage                                                                                                                                                                                                                                                                                                                                                                 |
| **3 One design variant tested** | 1. Checker was only used by 8% of Lloyds customers and 22% of Halifax customers to whom it was visible. These volumes could be higher with a more effective design variant.                                                                                                                                                                                                                                         | Test different design variants and compare effectiveness.                                                                                                                                                                                                                                                                                                                                                      |
| **4 Cumulative effects**           | 1. The trial was a one off, over a constrained time period.                                                                                                                                                                                                                                                                                                                                       | Investigate repeated contacts over an extended period to assess cumulative effects.                                                                                                                                                                                                                                                                                                                           |
No complaints received about trial.

<table>
<thead>
<tr>
<th>Trial</th>
<th>Complaint Volumes</th>
<th>Complaint Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complaint Letter Insert</td>
<td>0</td>
<td>No complaints received about the tool</td>
</tr>
</tbody>
</table>
This version of OD eligibility checker did not increase account opening

**Hypothesis**

Trial will lead to:
- Increased switching to Lloyds and Halifax
- Improved site funnel efficiency (visit page to sale)

**Success criteria**

- Increased switching in relative to non-users to Lloyds and Halifax

**We have looked at trends for:**

- Switching in
- Switching by channel (desktop, mobile, tablet)

**Results**

1. Halifax customers seeing the OD checker (ODC) were less likely to open account than the control group with or without an overdraft (5.2% with ODC, 5.5% in control without ODC).
2. Fewer ODC page visitors start application process (22% with ODC v 26% control without ODC).
3. Of those who started an application, more users opened an account where ODC was available (23% with ODC v 21% control without ODC).
4. Overall, the fewer starters effect dominates the improvement in completion from ODC viewers.
5. Only ~8% of Halifax page visitors completed checker (22% started).
6. Mobile least effective channel in terms of switching rate (<2%, v ~7% other channels).
7. No significant results for Lloyds customers.

<table>
<thead>
<tr>
<th></th>
<th>Mobile</th>
<th>Tablet</th>
<th>Desktop</th>
</tr>
</thead>
<tbody>
<tr>
<td>Halifax</td>
<td>32% less switches/visit than control</td>
<td>10% less switches/visit than control</td>
<td>Not significant</td>
</tr>
<tr>
<td>Lloyds</td>
<td>Not significant</td>
<td>Not significant</td>
<td>Not significant</td>
</tr>
</tbody>
</table>
Halifax customers seeing the OD checker were less likely to open account than the control group with or without an overdraft.

Note: Results have been indexed for redacted version; “Control; visit page” is base at 1,000.

**Visit to switch funnel, all channels**

<table>
<thead>
<tr>
<th></th>
<th>Control</th>
<th>ODC</th>
</tr>
</thead>
<tbody>
<tr>
<td>visit</td>
<td>1,000</td>
<td>1,004</td>
</tr>
<tr>
<td>apply</td>
<td>257</td>
<td>223</td>
</tr>
<tr>
<td>switch</td>
<td>55</td>
<td>52</td>
</tr>
<tr>
<td>take OD</td>
<td>15</td>
<td>14</td>
</tr>
</tbody>
</table>

% conversions

<table>
<thead>
<tr>
<th></th>
<th>Control</th>
<th>ODC</th>
</tr>
</thead>
<tbody>
<tr>
<td>apply/visit</td>
<td>26%</td>
<td>22%</td>
</tr>
<tr>
<td>open/apply</td>
<td>21%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Two effects from ODC:
1. Less visitors to ODC page start application
2. More ODC users actually open
First effect dominates second.

Less people open account and take OD, seeing the ODC (5.2% v 5.5 control).

22% of ODC page visits started checker. 8% finished
Mobile least effective channel in terms of switching rate.

Percentage of page visitors that open an account, by channel

- Desktop: 7.7%
- Mobile: 1.9%
- Tablet: 7.6%

Percentage of ODC visitors that open an account, by channel

- Desktop: 49%
- Mobile: 36%
- Tablet: 15%

Note: Results have been indexed for redacted version; “Number of visitors” is base at 100.

Mobile rates lower for ODC and control. ODC mobile users less likely to open account than control.

*not significant result
** slight difference in numbers to previous slide due to device not being identified
6 RBB/SME text alerts
## HYPOTHESIS

Customers who receive enhanced information on their overdraft usage (near limit alerts) incur less excess fees / spend less time in an excess position.

## CHANNELS

- Letter at launch
- SMS

| 25K business customers in SMS trial (RBB:SME split = 20K:5K) |

## METRIC

- Reduction in average days in excess
- Reduction volume of excess occurrences
- Reduction in value of excess fees
- Increased overdraft limits
- Uptake of new credit lines

### SAMPLE SELECTION

- Random sample of 50,000 customers taken from a population of customers who have incurred at least 1 excess in any of the last 3 months (subsequently split into 25,000 test group and an equivalent control)
- Split of sample was 20,000 RBB customers and 5,000 SME customers.
- Technical constraints:
- Legal/risk constraints: could not include customers with non marketing indicator or customers in financial difficulty (see data brief for full list of exclusions).
- Data constraints:

### RANDOMISATION PROCESS

- Database platform allows random sampling from a given population
- Random sample of 50,000 customers taken from a population of customers who have incurred at least 1 excess in any of the last 3 months (subsequently split into 25,000 test group and an equivalent control)
- Before sample could be taken, a series of other standard exclusions had to be applied such as customers with no marketing indicators, customers with free banking, and Clubs Charities and Societies.

### CUSTOMER ACTIONABILITY

1. Customer must top up funds from another account manually to avoid fees – may be difficult if in meetings/unable to access banking.
2. Customer must contact LBG to request overdraft extension.
3. Operational constraints:
Four month trial alerting RBB and SME segments.
Customers with excess in last 3 months targeted

HIGH-LEVEL TEST STRUCTURE:

<table>
<thead>
<tr>
<th>CHANNEL</th>
<th>CUSTOMERS TREATED</th>
<th>COMMS DATES</th>
<th>EST RESPONSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>LETTERS</td>
<td>25k (same control)</td>
<td>27 APR MAY JUN JUL</td>
<td>N/A</td>
</tr>
<tr>
<td>SMS</td>
<td>25k (same control)</td>
<td>18 MAY JUN JUL AUG</td>
<td>N/A</td>
</tr>
<tr>
<td>SMS</td>
<td>25k (same control)</td>
<td>MAY JUN JUL 14 AUG</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Mailing to advise of opt in

Alerts ongoing throughout the trial when customers near/over limit

SMS sent to customer at end of the trial

SELECTION CRITERIA

Customer must have incurred at least 1 excess within any of the last 3 months, but not have been in an excess position for all of the latest month

Having applied selection criteria, there are 2 test segments

RBB Customers (up to £1m t/o)

SME Customers (£1m - £6.5m t/o)

Call to Action

Customer credits account to avoid unplanned fees

Customer reduces spending to avoid unplanned fees

Customer adds new/increases existing overdraft limit

Behavioural Change

Reduction in accounts going into excess

Reduction in days in excess and fees incurred

No improvement for those opting out of service
Customers were told of auto enrolment

Early mention that the service is being trialled to manage customer expectations about fixed term of service.

Text alerts to help you manage your business account

[Dear Customer],

We are trialling a new service for our customers to help them manage their business accounts. As part of this initiative, we would like to introduce you to our new trial. During this period, you will receive alerts to keep you informed about your account balances. These alerts will be sent to you every Monday, between Monday and Friday.

What will happen next?
- If your trial account and mobile number above is correct, you will automatically be included. The trial period is 18 May 2015 to 18 August 2015. We will send you a text to confirm the trial is about to begin and inform you when it ends.
- If you do not wish to be part of this trial, please let us know by texting SMS/TXT to 73122 using your mobile number above and we will remove you from the trial.

If you are comfortable with being included in the trial, but the mobile number above is not correct, please let us know. Call us on 0345 030 6264 and we will update your records and remove you from the trial. We are not able to send these trial texts to a different mobile phone.

These alerts are to help you manage your account. You will only receive these alerts during the trial period. Between Monday and Friday, you should continue to monitor your account in the usual way.

Yours sincerely,

[Name]
Head of Business Banking Products

Guidelines to drive action and response.

Given auto opt-in approach to trial, clear visibility of opt out process.
### SMS channel used to alert customers near or over limit

Multi-channel support could be used in future iterations

<table>
<thead>
<tr>
<th>Practical constraint</th>
</tr>
</thead>
<tbody>
<tr>
<td>[ ]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other treatments</th>
</tr>
</thead>
<tbody>
<tr>
<td>[ ]</td>
</tr>
<tr>
<td>Multiple variants (wording) not explored due to limited sample size availability to have different test cells.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Option selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Default wording aligns with alerts used currently in PCA. Language used is informative, and prompts customer contact/action.</td>
</tr>
<tr>
<td>Call to action options are outlined within the body of the text – further variants could have prompted internet banking/app registrations.</td>
</tr>
<tr>
<td>SMS format chosen as most appropriate medium to inform business customers on the move – mobile app would be a suitable alternative.</td>
</tr>
</tbody>
</table>
Aspects of the trial can be developed
Refinements can be made in future iterations

<table>
<thead>
<tr>
<th>Refinements</th>
<th>Impact</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Manual data driven solution</td>
<td>1. []</td>
<td>1. []</td>
</tr>
<tr>
<td>2. Fixed parameters</td>
<td>1. Customers receive near limit alerts when they are within £200 of their limit/2% if limit is &gt;£10k – some customers would prefer different trigger values. 2. Frequency of over limit alerts – some customers may not want daily reminders.</td>
<td>1. []</td>
</tr>
<tr>
<td>3. Ease of action</td>
<td>1. []</td>
<td>1. []</td>
</tr>
<tr>
<td>4. Cumulative effects</td>
<td>1. The trial was a one off, over a constrained time period.</td>
<td>1. Investigate repeated contacts over an extended period to assess cumulative effects.</td>
</tr>
</tbody>
</table>
Complaints were low, call responses as expected
Customer feedback included requests for service to continue

<table>
<thead>
<tr>
<th>Trial</th>
<th>Complaint Volumes</th>
<th>Complaint Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMS Alerts</td>
<td>21</td>
<td>Very low % of SMS complaints (0.1%). Top 3 SMS complaint themes:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1. Received alerts but no introductory letter (‘gone aways’)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. [ ]</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Colleague support on opt out process</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trial</th>
<th>Call Volumes</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMS Alerts</td>
<td>400</td>
<td>1.6% call response rates to the alerts and the introductory letter. Majority of queries were relating to incorrect numbers/opt outs.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trial</th>
<th>Feedback Scores</th>
<th>Verbatim Feedback Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMS Alerts</td>
<td>78 customers provided feedback scores post trial:</td>
<td>Majority of verbatim feedback very positive – most customers who provided verbatim also asked for the service to continue.</td>
</tr>
<tr>
<td></td>
<td>- 90% rated service 8/10 or better with 75% giving a 10/10 rating</td>
<td>Constructive feedback also suggested some enhancements:</td>
</tr>
<tr>
<td></td>
<td>- 3% rated service between 5 – 7/10</td>
<td>1) Alerts to be made available on weekends</td>
</tr>
<tr>
<td></td>
<td>- 4% rated service between 0 – 1/10</td>
<td>2) Service to allow selection of parameters for near limit alerts</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opt-Out Volume</th>
<th>Opt-out %</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1064</td>
<td>RBB customers: 3.95% SME customers: 5.50%</td>
<td>Opt out volumes were higher from SME customers on both brands tested (Lloyds and BoS).</td>
</tr>
</tbody>
</table>
The RBB/SME SMS trial reduced time in excess

### Hypothesis

- Trial will lead to:
  - Reduced time in excess position
  - Reduced excess fees

### Success criteria

- Reduction in average days in excess
- Reduction in volume of excess occurrences
- Reduction in excess fees

### We have looked at trends for:

- Average excess, maximum excess
- Days in excess and number of excess occurrences
- Value of unauthorised borrowing fees
- Total OD fees
- Applications for new, increased and decreased OD limits

## Results

1. Text alerts did help RBB customers spend less time in excess (~10% excess occurrences v control), reduced the number of excess occurrences per month and increased the number of RBB customers applying to reduce their limit.

2. For SME customers the number of excess occurrences per month was also reduced. In addition, the treatment increased the % of customers opening a new product.

3. However, no significant impact on fees or balances.

4. Top 20% of excess fees have a lower monthly maximum excess balance.

5. As with PCA, heavier excess users tended to opt out of the trial.

6. Positive customer feedback on trial.
RBB customers spent less time in excess, had lower excess occurrences and more applied to reduce their limit.

For SME, excess occurrences was reduced and more opened a new product.

### Results

<table>
<thead>
<tr>
<th>Sub-segment</th>
<th>Monthly total overdraft fees (£)</th>
<th>Monthly unauthorised borrowing fees (£)</th>
<th>Monthly average excess balance (£)</th>
<th>Monthly maximum excess balance (£)</th>
<th>Days in excess per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBB</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>96</td>
</tr>
<tr>
<td>SME</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-segment</th>
<th>Number of excess occurrences per month</th>
<th>% of customers applying for new OD</th>
<th>% of customers applying for increased OD</th>
<th>% of customers applying for decreased OD</th>
<th>% of customers opening a new account</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBB</td>
<td>89</td>
<td>T</td>
<td>T</td>
<td>I</td>
<td>1002</td>
</tr>
<tr>
<td>SME</td>
<td>90</td>
<td>T</td>
<td>T</td>
<td>I</td>
<td>156</td>
</tr>
</tbody>
</table>

Text alerts helped customers spend less time in excess, however

No significant impact on fees

Some evidence of SME customers opening other accounts as a result of the text alerts.

### Initial lessons

- Some evidence that text alerts allow customers to manage their finance differently (more customers decreasing their OD limit and less days spent in excess)
- May suggest better targeting of opt-out text alerts is required
There was no significant impact on fees or balances. 
This suggests text alerts need to be well targeted.

RESULTS

- **RBB overdraw fees:**
  - Total overdraft fees incurred per month, £
  - 95% Confidence Interval
  - Not significant

- **RBB unauthorised borrowing fee:**
  - Monthly Unauthorised Borrowing Fee £
  - 95% Confidence Interval
  - Not significant

- **SME overdraw fees:**
  - Total overdraft fees incurred per month, £
  - 95% Confidence Interval
  - Not significant

- **SME unauthorised borrowing fee:**
  - Monthly Unauthorised Borrowing Fee £
  - 95% Confidence Interval
  - Not significant
Text alerts did help customers spend less time in excess

RESULTS

RBB days in excess

4% reduction

RBB number of excess occurrences

11% reduction

SME days in excess

Not significant

SME number of excess occurrences

10% reduction

6 RBB/SME Low Balance Text Alerts
Top 20% of excess fees have a lower monthly maximum excess balance.

- RBB customers in the bottom 80% of fees before the trial incur **higher** excess fees due to text alerts, an increase of [20-80]p per month, or 4%, which is counterintuitive.

- RBB customers in top 20% of fees before the trial, do go less deeply into excess due to text alerts however. A reduction of around a third.
No significant and material impacts have been found for other metrics

- No significant impacts found at aggregate level or sub-segment for:
  - Monthly total overdraft fees (£)
  - Monthly average excess balance (£)
  - Monthly maximum excess balance (£)
  - % of customers applying for new OD
  - % of customers applying for increased OD
  - % of customers opening a new account
As with PCA, heavier excess users tended to opt out of the trial.

2% of customers in the treatment group chose to opt-out of SMS alerts.

Opt-outs had **heavier excess usage before the trial** compared to those that did not opt-out.

- **Monthly average credit balance, £**: 18.4%
- **Monthly average debit balance, £**: 68.8%
- **Monthly average excess, £**: 43.7%
- **Monthly unauthorised borrowing fee, £**: 19.2%
- **Total value of OD fees**: 20.3%

- **Monthly days in excess (#)**: 19.2%
- **Monthly excess occurrences (#)**: 9.3%
24,749 customers were in the treatment group for the text alert trial.

16% received at least one Near Limit Alert

Of those, the average number of texts received over the trial period was approximately 3

42% received at least one Over Limit Alert

Of those, the average number of texts received over the trial period was approximately 8

Relatively fewer customers received text alerts for RBB/SME than for PCA

Text alerts are likely to be most effective when targeted
The results are very sensitive to timing
Sensitivity analysis was conducted on the “post-trial” period

Which “post-trial” period should we use?

- Main findings used the period June – August for RBB and May – August for SME.
- The first text message was sent on 18th May. The last was sent on 13th August.
- These post-trial periods were used as they gave statistically significant results. However, these results do not hold for other post-trial periods that could be used.

Other options for the “post-trial” period

1. May – August
2. May – September
3. June – August
4. June – September

How sensitive are results to the choice of period?

- Results are very sensitive to the post-trial period used.
  - RBB results are only significant for option 3.
  - SME results are only significant for option 1.
### HYPOTHESIS
Customers who receive a transparent summary of key areas of Current Account cost and value, act on the information and switch products internally or switch out externally.

### CHANNELS
- Letter
  - 9k business customers in AAR trial (RBB:SME split = 6K:3K)

### METRIC
- Uplift in product queries
- Customers switching products internally/extending limits
- Customers switching externally
- Uptake of new credit lines
- Reduction in transaction volumes

### SAMPLE SELECTION
Sample sizes were small due to exclusions applied such as customers on bespoke products, [] and other standard exclusions. Low volumes meant that although at the cell level results would be valid, any analysis of sub-segments was likely to not yield statistically significant results.

### RANDOMISATION PROCESS
An automated procedure was used to randomly select treatment and control groups from total cohort.

### CUSTOMER ACTIONABILITY
- []
Three different customer segments approached.
Messages tailored to each group

**HIGH-LEVEL TEST STRUCTURE:**

<table>
<thead>
<tr>
<th>CHANNEL</th>
<th>CUSTOMERS TREATED</th>
<th>COMMS DATES</th>
<th>EST RESPONSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>LETTERS</td>
<td>9k* (RBB/SME split = 6K:3K)</td>
<td>JUL AUG SEP</td>
<td>135</td>
</tr>
</tbody>
</table>

**SELECTION CRITERIA**

1. Customer must be prominent in 1 of 3 segments:
   - High/Med account costs relative to T/O
   - High/Med average credit balance
   - High/Med excess fees

Having applied selection criteria, there are 3 customer test segments:

- **High/Medium Account Costs**
  - Call BM to discuss Deposit products
  - Call BM to review credit options
  - Behavioural Change: Overdraft enquiries/new limits & extensions

- **High/Medium Average Credit Balance**
  - Call to Action: Product queries/switches
  - Behavioural Change: Deposit/Savings accounts opened/enquiries made

- **High/Medium Excess Fees**
  - Call to Action: Review tariff via calculator
  - Behavioural Change: Product queries/switches

*Excludes free banking customers
What customers receive today

<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity</th>
<th>Unit price (GBP)</th>
<th>Total price (GBP)</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Itemised Service Charges</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACCOUNT PAYMENTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cheques</td>
<td>1</td>
<td>0.62</td>
<td>0.62</td>
<td>ER</td>
</tr>
<tr>
<td>Direct Debits</td>
<td>50</td>
<td>0.43</td>
<td>21.93</td>
<td>ER</td>
</tr>
<tr>
<td>Free Debits</td>
<td>3</td>
<td>0.00</td>
<td>0.00</td>
<td>ER</td>
</tr>
<tr>
<td>Other Debits</td>
<td>1</td>
<td>0.59</td>
<td>0.59</td>
<td>ER</td>
</tr>
<tr>
<td>Standing Orders</td>
<td>2</td>
<td>0.50</td>
<td>1.00</td>
<td>ER</td>
</tr>
<tr>
<td>Transfers to other Accounts</td>
<td>1</td>
<td>0.00</td>
<td>0.00</td>
<td>ER</td>
</tr>
<tr>
<td>ACCOUNT RECEIPTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automated Credits</td>
<td>42</td>
<td>0.15</td>
<td>7.05</td>
<td>ER</td>
</tr>
<tr>
<td>Credits paid in</td>
<td>2</td>
<td>0.75</td>
<td>2.25</td>
<td>ER</td>
</tr>
<tr>
<td>Other Credits</td>
<td>8</td>
<td>0.75</td>
<td>6.00</td>
<td>ER</td>
</tr>
<tr>
<td>Transfers from other Accounts</td>
<td>17</td>
<td>0.00</td>
<td>0.00</td>
<td>ER</td>
</tr>
<tr>
<td>Internet/Phonebank Credits</td>
<td>12</td>
<td>0.25</td>
<td>3.25</td>
<td>ER</td>
</tr>
<tr>
<td>Faster Payment Credit</td>
<td>41</td>
<td>0.15</td>
<td>6.90</td>
<td>ER</td>
</tr>
<tr>
<td>OTHER SERVICES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash paid in</td>
<td>2,470.00</td>
<td>0.55 per 100</td>
<td>13.26</td>
<td>ER</td>
</tr>
<tr>
<td>Cheques paid in</td>
<td>20</td>
<td>0.31</td>
<td>11.47</td>
<td>ER</td>
</tr>
<tr>
<td>SUB TOTAL</td>
<td></td>
<td></td>
<td>80.32</td>
<td>(36.14)</td>
</tr>
<tr>
<td>Discount</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUB TOTAL AFTER DISCOUNT</td>
<td></td>
<td></td>
<td>44.18</td>
<td></td>
</tr>
<tr>
<td>SERVICE TOTAL</td>
<td></td>
<td></td>
<td>44.18</td>
<td></td>
</tr>
</tbody>
</table>

FCA reported that current bank annual statements did not stimulate changed behaviours

LBG aim is a more impactful statement to trigger behavioural change
One variant was tested for each segment

Design can be refined in further iterations

Option selection
- Marketing driven wording to prompt action – positive wording used to deliver best customer outcomes
- Statement layout is attention grabbing and differentiated from standard bank letters
- Clear ‘next steps’ for the customer – helping to increase value/reduce costs based on personalised summary
- Volume split considered as an alternative to £s transaction charges – decision taken that £s view is more impactful

Practical constraint
- One shot communication.
- Not supported with multi-channel contact
- Not supported with follow up reminders
- Only trialled one letter variant
- Only trialled one medium
- ‘One click’ follow up not available in letter format
- [ ]

Other treatments
- Consider trialling through other channels (email, digital inbox, mobile app, reactive offer in branch)
- Consider multiple variants (calls to action, formats, wording)
Aspects of the trial can be developed
Refinements can be made in future iterations

<table>
<thead>
<tr>
<th>Refinements</th>
<th>Impact</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 Technical</strong></td>
<td>1. Due to resource restraints, any ‘gone aways’ (moved without telling LBG) were returned to a central team for disposal. ‘Gone away’ customers therefore did not receive the statement.</td>
<td>1. Track gone aways, and develop contact strategy for any customers returning as ‘gone away’ to identify correct address and redirect statement.</td>
</tr>
<tr>
<td><strong>2 Technical</strong></td>
<td>1. Due to criteria set (ensuring customers selected had a relevant call to action/incentive), and suppressions applied (CiFDs, deceased, non standard products, etc), only 9K customers received the trial statement across RBB/SME, thus limiting results.</td>
<td>1. Longer term solution would not be subject to the same criteria exclusions (e.g. non standard tariff exclusions/ minimum £10k average credit balance). 2. Multilateral trial with other banks would enhance numbers and results.</td>
</tr>
<tr>
<td><strong>3 Sample size</strong></td>
<td>1. Customer cannot follow up call to action with a ‘one click’ application for new account/extension.</td>
<td>1. Develop digital statement that allows ‘one click applications’ using stored customer information to complete product switches/changes.</td>
</tr>
<tr>
<td><strong>4 Ease of action</strong></td>
<td>1. Customer response rates to mailings can be markedly lower than digital media.</td>
<td>1. Develop IT solution to allow AAR to be sent via digital inbox/via mobile app/online banking.</td>
</tr>
<tr>
<td><strong>5 Medium/Format</strong></td>
<td>1.</td>
<td>1.</td>
</tr>
<tr>
<td><strong>6 Monitoring switching queries</strong></td>
<td>1.</td>
<td>1.</td>
</tr>
<tr>
<td><strong>7 Cumulative effects</strong></td>
<td>1. The trial was a one off, over a constrained time period.</td>
<td>1. Investigate repeated contacts over an extended period to assess cumulative effects.</td>
</tr>
</tbody>
</table>
No complaints about trial statement
Call response rate as expected

<table>
<thead>
<tr>
<th>Trial</th>
<th>Complaint Volumes</th>
<th>Complaint Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAR</td>
<td>0</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trial</th>
<th>Call Volumes</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAR</td>
<td>65</td>
<td>Out of the 9K customers mailed across RBB/SME, 4K had a call to action to contact telephony to discuss options. Response rate of 1.6% is in line with expectations – higher response rates may have been possible if digital channel was available.</td>
</tr>
</tbody>
</table>
There are no significant impacts of the RBB/SME AAR trial, however some of the volumes are very low

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Success criteria</th>
<th>We have looked at trends for:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prompting customers to review their bank account will lead to:</td>
<td>• Uplift in product queries (overdraft/current account/savings)</td>
<td>• Changes in product/tariff</td>
</tr>
<tr>
<td>• Increased switching of products internally</td>
<td>• Customers switching products internally / extending limits</td>
<td>• Applications for new overdraft limits</td>
</tr>
<tr>
<td>• Increased switching out externally</td>
<td>• Customers switching externally</td>
<td>• Applications for increased/decreased OD limits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Average numbers and values of debit and credit transactions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Applications for new cross-product accounts</td>
</tr>
</tbody>
</table>

**Preliminary results**

1. Limited significant impacts with this trial.
2. RBB customers with high/medium account costs reacted to treatment by opening new accounts and changing limits.
3. Top 20% by fees reacted most strongly.
4. Similarly high/medium account costs SME customers also opened accounts.
The RBB/SME annual account review had limited impact on behaviour

Customers were more likely to open a new account, or adjust their overdraft

<table>
<thead>
<tr>
<th>Sub-segment</th>
<th>% of customers changing product or tariff</th>
<th>% of customers applying for new OD</th>
<th>% of customers applying for increased OD</th>
<th>% of customers applying for decreased OD</th>
<th>% of customers opening a new account</th>
<th>% of customers closing account</th>
<th>Monthly credit transactions (£)</th>
<th>Monthly debit transactions (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBB</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAR1: High/medium average credit balances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAR2: High/medium excess fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAR3: High/medium account costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SME</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAR1: High/medium average credit balances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAR2: High/medium excess fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAR3: High/medium account costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

There are some impacts on RBB customer behaviour...

- Identifying trial impacts are limited by small sample sizes

NOTE: Many of these metrics have very low volumes. In general, this will reduce the power of the statistical tests as this makes picking up significant uplifts more difficult.

Key learnings

- Identifying trial impacts are limited by small sample sizes
RBB customers with high/medium account costs reacted to treatment by opening new accounts and changing limits.

High/medium account costs SME customers also opened accounts.

RBB: AAR1: High/medium average credit balances

RBB: AAR2: High/medium excess fees

RBB: AAR3: High/medium account costs

SME: AAR1: High/medium average credit balances

SME: AAR2: High/medium excess fees

SME: AAR3: High/medium account costs

No significant impact

No significant impact

No significant impact
The top 20% by fees reacted most strongly.

Each treatment cell split into the top 20% and bottom 80% of balances.
No significant and material impacts found for sub segment analysis of other metrics

- No significant impacts found at either RBB, SME or customer sub-segments for:
  - % of customers changing product or tariff
  - % of customers applying for new OD
  - % of customers closing account
  - Monthly credit transactions (£)
  - Monthly debit transactions (£)
These results are not sensitive to timing effects
Sensitivity analysis was conducted on the “post-trial” period

<table>
<thead>
<tr>
<th>Which “post-trial” period should we use?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>Main findings used the period July - September</strong></td>
</tr>
<tr>
<td>• Customer communications were sent out on the 14th or 21st July.</td>
</tr>
<tr>
<td>• This period provided the most amount of data given the trial started in mid/late July.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other options for the “post-trial” period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. July – August</td>
</tr>
<tr>
<td>2. July – September</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How sensitive are results to the choice of period?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• This trial showed fairly limited results.</td>
</tr>
<tr>
<td>• However, these results were not sensitive to the post-trial period used.</td>
</tr>
</tbody>
</table>
Interpreting statistical results
Understanding presentation of the results
Magnitude and …

Magnitude

Impact is a measure of the magnitude of the effect. Numbers in the boxes show:
- \( T \) - what we got with treatment
- \( E \) - what we would expect to get without treatment
- \( I \) - the % impact of treatment

Example

In the text alert trial, for average monthly unplanned fees:
- \( T \) - what we got with treatment was -£29
- \( E \) - what we would expect to get without treatment was -£30
- \( I \) - the % impact of treatment (£0.4 in the example) was a reduction of 1%

Although only small, this effect was, nonetheless, statistically significant… see next page.

Note: all numbers on this slide are illustrative only.
Understanding presentation of the results

... statistical significance

- **Statistical significance** tells us how likely a result is caused by the trial, rather than mere chance or “noise” in the data. It does not reflect magnitude of impact.

- Not significant means we cannot tell if this is because of the treatment or chance variation.

- 95% confident means that when we state a result is significant, we are willing to accept a 5% risk that the results were in fact the result of random chance, rather than due to the treatment. This is a standard level of confidence to use in statistical testing of this nature.

**Example**

- The previous slide gave an example of a small effect that was significant.

- In other cases, there can be quite large apparent effects, but because variation is also large, whether the result for the treatment group is due to the treatment or just noise cannot be determined.