Retail banking market investigation

Update on personal current account pricing

24 May 2016

This is one of a continuing series of consultative papers which have been published during the course of the investigation. Parties wishing to comment on this paper should send their comments to retailbanking@cma.gsi.gov.uk by **5pm on Tuesday 7 June 2016**.

The Competition and Markets Authority has excluded from this published version of the working paper information which the inquiry group considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [✂]. Some numbers have been replaced by a range. These are shown in square brackets.

Contents

Introduction

1. Since the publication of our provisional findings, we have updated and extended our analysis of personal current account (PCA) pricing.[1] This paper presents the updated methodology and results of this analysis.

2. The aim of the analysis is to assess the current price and quality outcomes in the PCA market.

3. We have undertaken the following pieces of analysis:

   (a) **Pricing outcomes**: We estimate average product prices based on customer account usage and prices at a particular point in time. We compare estimated prices across banks and assess estimated prices alongside other market outcomes.

   We undertake a number of sensitivity tests on our price estimates. In particular, we undertake a comparison between our price estimates and estimates submitted by Lloyds Banking Group (LBG).[2]

   (b) **Price-quality outcomes**: We consider price and quality outcomes together, as we expect customers to make trade-offs between price and quality in choosing their product.

   (c) **Estimated potential gains from switching**: We estimate how much customers could save by switching to cheaper available products. While we would not expect all financial gains from switching to be realised in a well-functioning market, this analysis provides an estimate of the scale of the lack of customer engagement in the PCA markets.

4. The average prices and gains from switching we present are estimates at a snapshot in time. Our analysis is a static assessment, in the sense that we assume no changes in customer behaviour or provider prices, and should not be interpreted as long-run prices or gains. Over time, customer behaviour may change, for example due to life events, and also in response to switching to a different product with a different price and reward structure. Banks may also change their prices over time, in response, for example, to changes in their customer mix if customers switch products.

5. This analysis forms part of our assessment of outcomes in the PCA markets – it should not be taken as customer advice as to the best products or providers in the market.

---

[1] As set out in Appendix 5.4 to our provisional findings.
[2] LBG response to PCA pricing analysis.

6. We provide further details on the analysis described in this paper in the accompanying appendices:

   (a) Appendix 1 – Parties' views on the PCA pricing analysis published at provisional findings.

   (b) Appendix 2 – Data and assumptions used in the analysis.

   (c) Appendix 3 – Estimated average prices.

   (d) Appendix 4 – Comparison of price estimates using aggregated and disaggregated data.

   (e) Appendix 5 – Price-quality outcomes.

   (f) Appendix 6 – Estimated gains from switching.

Summary of price estimation methodology

Data

7. The data on fees and charges for each product are from the database held by our contractor, Runpath Digital Ltd (Runpath).

8. To estimate product prices that are representative of what customers across the market would pay (and not be influenced by differences in customer mix at different providers), we have used a representative sample of customer accounts.

9. The customer data is from the anonymous transactions data collected from a number of banks operating in Great Britain (GB) and Northern Ireland (NI), which contains information on account usage each month.[3] The underlying customer transactions data for NI customers was incomplete in some respects and so we have had to make adjustments for this, leading to price estimates which are less robust.

10. The data used does not contain values for all types of transaction and all components of price. We have used estimates for some price components (see Appendix 2 for details): for cashback and paid/unpaid items, we used

[3] Including: average credit balance; average debit balance; number of days in arranged and unarranged overdraft usage; inbound payments and transfers into the account (excluding charges).

estimates of average values for 2015;[4] and for benefits, we used either evidenced valuations submitted to us by banks or market average pricing in 2016.[5]

11. LBG submitted that disaggregated transaction-level data should be used in the analysis to avoid problems of missing data and the need for assumptions.[6] It submitted that our data omitted key customer volumes, such that many determinants of price for each customer were omitted or significant assumptions were needed, and that these omissions and assumptions could have a significant impact on the results.[7] Nationwide also considered that using transaction data instead of aggregated monthly data should allow prices to be calculated more accurately.[8]

12. We accept that using disaggregated transactions data would require fewer assumptions to be made than using aggregated data. However, producing estimates of PCA prices is not straightforward methodologically, as different approaches can be taken on such aspects as how to incorporate different aspects of the product offer (such as the incorporation of switching incentives and product benefits), and on the method of price calculation to estimate prices over a horizon of several years.

13. LBG acknowledged that its approach still had limitations, particularly for overdraft users:[9] it noted that it did not take account of fee suppression (i.e. when providers stop charging overdraft fees) or waivers of overdraft fees (which our analysis also does not do), and it considered that this meant the prices and gains from switching were likely to be lower than the models suggested. With respect to cashback, using disaggregated data allows for customer-specific cashback to be taken into account, which LBG submitted was an improvement on using average cashback per product, as this ignored the distribution of cashback among customers and between customer segments. However, LBG submitted that even with disaggregated data, some cashback would be missed.

---

[4] The average paid/unpaid items charges is applied only to accounts in unarranged overdraft, potentially leading to an underestimation of the total unpaid charges since unpaid item charges can be applied to accounts in any of the following situations:

- account has no overdraft and the bank chooses not to make a payment as it would bring down the account's credit below zero;
- account has an arranged overdraft and the bank chooses not to make a payment that would surpass the arranged overdraft limit instead of allowing the account to fall into unarranged overdraft; or
- account is in unarranged overdraft and the bank chooses not to make a further payment.

[5] If a customer has to take on another product to receive the benefit, we have assigned no value to the benefit because our view is that this constitutes a reduction in the price of the other product rather than increasing the value of the PCA product.

[6] LBG response to provisional findings, paragraph 1.6.

[7] LBG response to provisional findings, paragraphs 2.15–2.18.

[8] Nationwide's comments on LBG response to the CMA's PCA pricing analysis.

[9] LBG response to PCA pricing analysis, paragraph 2.3.

14. Inevitably, then, it is necessary to interpret calculated prices as estimates. We balanced the benefits of using transactions data, which is not entirely without limitations as described, with the need for a substantial new data request to banks. Further, we are very conscious of the highly confidential nature of disaggregated transactions data (which contains details of a customer's specific transactions, including retailers/providers of services, salaries, extent of mortgages/savings), and the volume of data which would be required for the analysis. Given the above, we did not consider it proportionate to use disaggregated data in this analysis.

15. To understand the impact on our price estimates and results of using aggregated data rather than disaggregated data, we have undertaken sensitivity analysis making use of LBG's price estimates using disaggregated data (see the 'pricing outcomes' section below).

Methodology

16. Runpath, using our customer data and its database of fees and charges calculated:

    (a) the net price per month of each account, using prices as of May 2016; and

    (b) the net price per month if each account holder switched to other PCAs to which it is eligible.

17. We aggregated the prices each individual would pay for each product in the market to estimate each products' average prices for the sample.

18. The price of the product is defined as the amount that customers would pay to use the product per month. These prices should not be confused with the revenues that providers generate from these products (since providers also derive revenues from credit balances and interchange).[10]

19. We calculate estimated averages over one-month (excluding switching incentives), one-year (including switching incentives averaged across one year) and five-year (including switching incentives averaged across five years) time horizons.[11]

---

[10] LBG submitted that a measure of average revenue per provider, along with average prices, is required to understand where value lies in the market. However, understanding where value lies in the market is not the object of the exercise. (See LLBG response to PCA pricing analysis, paragraphs 3.4–3.9, and LBG response to provisional findings report, Executive Summary, paragraph 18.)
[11] As we explain in Appendix 2, the estimates averaged over five years do not include paid and unpaid item fees. For the purpose of calculating average prices, we made an adjustment to the five-year smoothed average prices to include these items.

20. At a late stage and shortly before publication of this working paper, Runpath told us that the Y5 measure did not include unpaid and paid items fees due to an error in running the data. Unpaid and paid items fees were included in the other two measures (Y1 and M). In the analysis of average prices, we corrected the Y5 measure by constructing a new measure which smooths the impact of switching incentives over 5 years, and takes into account the paid and unpaid fees.[12] In the gains from switching analysis, we controlled for the sensitivity of our results to this omission by comparing results we have found for the different measures. We found that the analysis of gains from switching was unlikely to be affected by this omission in any material way.

21. We included the following types of product in our analysis:[13,14]

(a) **Standard**: products that offer standard features only, usually free-if-in-credit to customers.

(b) **Reward**: products that provide a cash reward (eg monthly payment, interest on credit balances, cashback linked to spending from the account).

(c) **Packaged**: products that provide customer benefits in kind and include an account fee (eg phone insurance, travel insurance and breakdown cover). The calculations for packaged accounts require estimates of the value of these customer benefits.

22. Switching incentives, defined as the monetary amount and improved terms[15] offered to customers upon switching, are included in the estimates. The Co-operative Bank (Co-op) submitted that the frequency with which such offers are changed or even withdrawn is high. We have therefore estimated average prices including and excluding switching incentives.

23. Some products currently held by customers in the sample are no longer available to new customers and current pricing data is not held in the pricing database ('legacy' or 'back-book' accounts).[16] To calculate prices for these accounts, we used several approaches and compared the results: *(a)* we used prices for these accounts in the transactions database based on historic prices; *(b)* we matched these accounts to the prices of the oldest on-sale PCA

---

[12] Specifically, we constructed a 5 yearly monthly average price as follows: (12*Y1+48*M)/60

[13] Please refer to Appendix 2, Annex B for the complete definitions of each of these account types.

[14] We excluded the following categories of accounts from the sample to be analysed:

- Basic bank accounts: following the agreement between nine major banks and the government, the costs of most basic bank accounts are very similar since December 2015.
- Student and Young Person's accounts: the price of these depends on account holder characteristics, which may not remain the same over time.

[15] For example, improved credit interest, reduced overdraft fees, reduced annual fees for a fixed period.

[16] This occurred for 1,578 observations in the main sample and 681 in the survey sample.

at the customer's bank. We have also run a sensitivity to the main results where we excluded unmatched account observations altogether.

24. To estimate brand- and group-level average prices, we weighted the product prices of each brand/group based on the number of customers using each product at the brand/group, as according to the number of weighted observations in the transactions dataset. This data is from 2014, and as such, it is possible that the customer mix across products at some banks has changed since then. In interpreting the brand/group level prices, it is important to note that as products at a provider have different prices, the aggregated brand/group price does not represent prices that all current customers of a provider pay or that new customers would pay.

25. Rather than using a provider's existing customer mix to determine the average brand/group-level price, LBG submitted that we should instead weight the prices according to the product at the provider that the customer was most likely to choose if they switched, which it defined as the cheapest product for the customer at the provider.[17] Under this approach, the prices at brand/group level would represent the price that customers would be offered if they compared providers or switched to that provider. LBG considered that this would address the question of what prices providers currently offered in the market, rather than what customers currently paid.[18] LBG submitted that its suggested approach is consistent with the approach used in the BCA pricing analysis, the inclusion of switching benefits and the exclusion of off-sale products from the analysis.

26. In response to LBG's submission, Nationwide submitted that the approach proposed by LBG was flawed, as the purpose of the analysis was to report estimates of historical average prices across PCA providers and not to provide a price comparison for customers as if they were switching to the most appropriate PCA for them based on their current PCA usage.[19]

27. We considered LBG's and Nationwide's submissions. We remain of the view that, for this analysis, the weighting by existing customer mix is appropriate. Our analysis seeks to estimate the prices that are currently paid by customers in order to assess current prices across the market – rather than the best price available for customers at each provider if they switched, which would

[17] LBG response to provisional findings, paragraph 2.22.
[18] LBG response to Nationwide's comments on LBG's PCA pricing analysis.
[19] Nationwide's comments on LBG's response to the CMA's PCA pricing analysis, paragraph 2.4.

be the result of using a weighting based on the lowest priced product for the customer at each provider.

28. Due to data limitations, we had to make additional assumptions in order to take into account unarranged overdraft charges. Specifically, while our data set included data on the arranged limit and the total amount by which each account was overdrawn[20] on average each month, we did not have information on the average unarranged overdraft amount each month. We also did not have information about the pattern of overdraft usage within each month, except the total number of days the account was in arranged or unarranged overdraft each month.

29. In the analysis we therefore made an assumption about the amount by which each overdraft user was in unarranged overdraft in instances where it was not possible to distinguish arranged and unarranged overdraft balance. Based on feedback we received from PCA providers about plausible unarranged overdraft balances, for unarranged overdraft users we assumed the balance was at least £100, and tested this by also undertaking the analysis assuming the balance was at least £20. We found that this assumption did not materially affect the results. The results shown in the tables below are based on an assumed unarranged overdraft balance of at least £100.

Pricing outcomes

30. In this section, we present monthly prices for Standard and Reward products, using the five-year time period for averaging of switching incentives and including benefits, for GB. Results for NI and Packaged products and all sensitivities can be found in Appendix 3.[21]

31. We begin by comparing estimated product prices across banks for Standard and Reward products, by various customer segments.[22] This is in response to submissions by parties that only considering average prices across providers may be misleading.

[20] For either type of overdraft (arranged and/or unarranged).
[21] Results for NI are less robust, because the underlying customer transactions data for NI customers was incomplete in some respects and so we have had to make adjustments for this in order to produce price estimates. For Packaged products we made assumptions on the value to customers of the benefits from packaged accounts.
[22] The tables presented here do not include control accounts. We show results for control accounts in Appendix 3.

32. The first segmentation we consider is by overdraft and non-overdraft usage.[23] For most banks, there is about a 50:50 customer split between these two types of customer.

33. For non-overdraft users, there are around 12 products with a price of between £0 and £1 per month (see Table 1 below). Products with the highest prices for non-overdraft users are for those products with monthly fees with a top price of around £3.50. Products with prices below this for non-overdraft users have one or more of switching incentives, cashback, benefits or credit interest.

Table 1: Estimated product prices for non-overdraft users per month (Standard and Reward, Year 5 prices including benefits, GB)

Brand	*Product*	*Non-overdraft user*
Royal Bank of Scotland	Royal Bank of Scotland Reward Account	£3.53
Barclays	Barclays Bank Account with Blue Rewards	£3.39
NatWest	NatWest Reward Account	£3.31
Barclays	Barclays Premier Current Account	£1.89
First Direct	First Direct 1st Account	£0.53
HSBC	HSBC Advance Bank Account (New)	£0.49
TSB	TSB Classic Current Account	£0.43
Bank of Scotland	Bank of Scotland Classic Account	£0.43
Lloyds Bank	Lloyds Bank Classic Account	£0.42
Barclays	Barclays Bank Account	£0.39
Santander	Santander Everyday Current Account	£0.38
Post Office	Post Office Standard Account	£0.36
HSBC	HSBC Bank Account	£0.35
Royal Bank of Scotland	Royal Bank of Scotland Select Current Account	£0.29
NatWest	NatWest Select Account	£0.28
Metro Bank	Metro Bank Current Account	£0.00
Halifax	Halifax Current Account	–£1.07
Halifax	Halifax Reward Current Account	–£1.07
The Co-operative Bank	The Co-operative Bank Current Account	–£1.32
smile	smile Current Account	–£1.40
Nationwide Building Society	Nationwide Building Society FlexDirect Account	–£1.85
Yorkshire Bank	Yorkshire Bank Current Account Plus - 16 and over	–£2.13
Clydesdale Bank	Clydesdale Bank Current Account Plus	–£2.15
HSBC	HSBC Premier Bank Account	–£2.49
Tesco Bank	Tesco Bank Current Account	–£3.39
Nationwide Building Society	Nationwide Building Society FlexAccount	–£3.91
TSB	TSB Classic Plus Account	–£4.38
Bank of Scotland	Bank of Scotland Classic Account with Vantage	–£4.61
M&S Bank	M&S Bank Premium Current Account	–£4.67
Lloyds Bank	Lloyds Bank Club Lloyds Current Account	–£7.30
Santander	Santander 1|2|3 Current Account	–£7.72
M&S Bank	M&S Bank Current Account	–£13.94

Source: CMA analysis of Runpath price outputs.
Note: Table excludes control accounts.

34. Table 2 shows average prices by group for non-overdraft users, segmented by size of credit balances. For some products that pay credit interest, prices decrease with increasing balances, but this is not a general trend across products.

[23] Barclays has stated its views that its emergency borrowing facility is not an unarranged overdraft facility. Whether or not such emergency borrowing facilities are unarranged overdraft facilities, they are alternatives to other PCA providers' unarranged overdraft facilities. They are all lending facilities that are offered to PCA customers after they have exceeded an initial arranged borrowing limit.

Table 2: Average prices by product and segment, by credit balance £ per month, non-overdraft users (Standard and Reward, Year 5 prices including benefits, GB)

Brand	*Product*	*Less than £500, no overdraft*	*£500 to less than £2,000, no overdraft*	*£2,000 to less than £3,000, no overdraft*	*£3,000 to less than £5,000, no overdraft*	*£5,000 to less than £7,500, no overdraft*	*£7,500 to less than £10,000, no overdraft*	*£10,000 to less than £20,000, no overdraft*	*£20,000 or more, no overdraft*	*Average prices for non-overdraft user*
Lloyds Bank	Lloyds Bank Classic Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	£0.42
Lloyds Bank	Lloyds Bank Club Lloyds Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	–£7.30
Halifax	Halifax Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	–£1.07
Halifax	Halifax Reward Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	–£1.07
Bank of Scotland	Bank of Scotland Classic Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	£0.43
Bank of Scotland	Bank of Scotland Classic Account with Vantage	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	–£4.61
NatWest	NatWest Reward Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	£3.31
NatWest	NatWest Select Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	£0.28
Royal Bank of Scotland	Royal Bank of Scotland Reward Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	£3.53
Royal Bank of Scotland	Royal Bank of Scotland Select Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	£0.29
Barclays	Barclays Bank Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	£0.39
Barclays	Barclays Bank Account with Blue Rewards	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	£3.39
Barclays	Barclays Premier Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	£1.89
HSBC	HSBC Advance Bank Account (New)	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	£0.49
HSBC	HSBC Bank Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	£0.35
HSBC	HSBC Premier Bank Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	–£2.49
First Direct	First Direct 1st Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	£0.53
M&S Bank	M&S Bank Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	–£13.94
M&S Bank	M&S Bank Premium Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	–£4.67
Santander	Santander 1|2|3 Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	–£7.72
Santander	Santander Everyday Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	£0.38
Nationwide Building Society	Nationwide Building Society FlexAccount	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	–£3.91
Nationwide Building Society	Nationwide Building Society FlexDirect Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	–£1.85
TSB	TSB Classic Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	£0.43
TSB	TSB Classic Plus Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	–£4.38
Clydesdale Bank	Clydesdale Bank Current Account Plus	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	–£2.15
Yorkshire Bank	Yorkshire Bank Current Account Plus - 16 and over	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	–£2.13
smile	smile Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	–£1.40
The Co-operative Bank	The Co-operative Bank Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	–£1.32
Metro Bank	Metro Bank Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	£0.00
Post Office	Post Office Standard Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	£0.36
Tesco Bank	Tesco Bank Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	–£3.39

Source: CMA analysis of Runpath price outputs.
Note: Table excludes control accounts.

35. For overdraft users, the prices are substantially higher than for non-overdraft users: as can be seen in Table 3, there are 17 products with a price of over £10 per month, and another 8 with a price of over £5 per month and up to £10. There is no clear pattern emerging in terms of the types of accounts which have lower or higher overdraft charges: we see a mix of Reward and Standard accounts among the most expensive on average for overdraft users.

36. Given that, in general, there are similar proportions of non-overdraft and overdraft customers at each bank, and because the variation in prices for overdraft users is greater than that for non-overdraft users, the variation in overall estimated product prices (and therefore the subsequently calculated brand and group level prices) is dominated by the variation in overdraft prices across products.

Table 3: Estimated product prices for overdraft users per month, Standard and Reward products, average over five years

Brand	*Product*	*Product type*	*Overdraft user*
TSB	TSB Classic Current Account	Standard	£16.06
Lloyds Bank	Lloyds Bank Classic Account	Reward	£16.04
Santander	Santander Everyday Current Account	Standard	£14.63
Barclays	Barclays Bank Account with Blue Rewards	Reward	£13.73
NatWest	NatWest Reward Account	Reward	£13.31
Bank of Scotland	Bank of Scotland Classic Account	Reward	£12.97
Bank of Scotland	Bank of Scotland Classic Account with Vantage	Reward	£11.60
Lloyds Bank	Lloyds Bank Club Lloyds Current Account	Reward	£11.55
Halifax	Halifax Reward Current Account	Reward	£11.20
Royal Bank of Scotland	Royal Bank of Scotland Select Current Account	Standard	£11.09
NatWest	NatWest Select Account	Standard	£11.09
Halifax	Halifax Current Account	Reward	£11.06
Barclays	Barclays Bank Account	Reward	£10.73
The Co-operative Bank	The Co-operative Bank Current Account	Reward	£10.72
smile	smile Current Account	Standard	£10.53
Barclays	Barclays Premier Current Account	Standard	£10.29
Royal Bank of Scotland	Royal Bank of Scotland Reward Account	Reward	£10.04
Yorkshire Bank	Yorkshire Bank Current Account Plus - 16 and over	Standard	£9.89
Clydesdale Bank	Clydesdale Bank Current Account Plus	Standard	£9.87
Santander	Santander 1|2|3 Current Account	Reward	£9.54
TSB	TSB Classic Plus Account	Reward	£9.19
HSBC	HSBC Bank Account	Standard	£6.79
HSBC	HSBC Advance Bank Account (New)	Standard	£6.70
Nationwide Building Society	Nationwide Building Society FlexDirect Account	Reward	£6.60
First Direct	First Direct 1st Account	Standard	£6.57
Nationwide Building Society	Nationwide Building Society FlexAccount	Reward	£4.49
Metro Bank	Metro Bank Current Account	Standard	£3.70
Post Office	Post Office Standard Account	Standard	£2.85
Tesco Bank	Tesco Bank Current Account	Reward	£2.33
HSBC	HSBC Premier Bank Account	Reward	£0.92
M&S Bank	M&S Bank Premium Current Account	Reward	–£2.09
M&S Bank	M&S Bank Current Account	Reward	–£11.60

Source: CMA analysis of Runpath price outputs.
Note: Table excludes control accounts.

37. Table 4 below shows that, in general, average prices across products increase as the number of days in overdraft increases.

Table 4: Average prices by days in overdraft, £ per month

Brand	*Product*	*15+ days in overdraft*	*8 to 14 days in overdraft*	*4 to 7 days in overdraft*	*1 to 3 day(s) in overdraft*
Lloyds Bank	Lloyds Bank Classic Account	[✂]	[✂]	[✂]	[✂]
Lloyds Bank	Lloyds Bank Club Lloyds Current Account	[✂]	[✂]	[✂]	[✂]
Halifax	Halifax Current Account	[✂]	[✂]	[✂]	[✂]
Halifax	Halifax Reward Current Account	[✂]	[✂]	[✂]	[✂]
Bank of Scotland	Bank of Scotland Classic Account	[✂]	[✂]	[✂]	[✂]
Bank of Scotland	Bank of Scotland Classic Account with Vantage	[✂]	[✂]	[✂]	[✂]
NatWest	NatWest Reward Account	[✂]	[✂]	[✂]	[✂]
NatWest	NatWest Select Account	[✂]	[✂]	[✂]	[✂]
Royal Bank of Scotland	Royal Bank of Scotland Reward Account	[✂]	[✂]	[✂]	[✂]
Royal Bank of Scotland	Royal Bank of Scotland Select Current Account	[✂]	[✂]	[✂]	[✂]
Barclays	Barclays Bank Account	[✂]	[✂]	[✂]	[✂]
Barclays	Barclays Bank Account with Blue Rewards	[✂]	[✂]	[✂]	[✂]
Barclays	Barclays Premier Current Account	[✂]	[✂]	[✂]	[✂]
HSBC	HSBC Advance Bank Account (New)	[✂]	[✂]	[✂]	[✂]
HSBC	HSBC Bank Account	[✂]	[✂]	[✂]	[✂]
HSBC	HSBC Premier Bank Account	[✂]	[✂]	[✂]	[✂]
First Direct	First Direct 1st Account	[✂]	[✂]	[✂]	[✂]
M&S Bank	M&S Bank Current Account	[✂]	[✂]	[✂]	[✂]
M&S Bank	M&S Bank Premium Current Account	[✂]	[✂]	[✂]	[✂]
Santander	Santander 1|2|3 Current Account	[✂]	[✂]	[✂]	[✂]
Santander	Santander Everyday Current Account	[✂]	[✂]	[✂]	[✂]
Nationwide Building Society	Nationwide Building Society FlexAccount	[✂]	[✂]	[✂]	[✂]
Nationwide Building Society	Nationwide Building Society FlexDirect Account	[✂]	[✂]	[✂]	[✂]
TSB	TSB Classic Current Account	[✂]	[✂]	[✂]	[✂]
TSB	TSB Classic Plus Account	[✂]	[✂]	[✂]	[✂]
Clydesdale Bank	Clydesdale Bank Current Account Plus	[✂]	[✂]	[✂]	[✂]
Yorkshire Bank	Yorkshire Bank Current Account Plus - 16 and over	[✂]	[✂]	[✂]	[✂]
smile	smile Current Account	[✂]	[✂]	[✂]	[✂]
The Co-operative Bank	The Co-operative Bank Current Account	[✂]	[✂]	[✂]	[✂]
Metro Bank	Metro Bank Current Account	[✂]	[✂]	[✂]	[✂]
Post Office	Post Office Standard Account	[✂]	[✂]	[✂]	[✂]
Tesco Bank	Tesco Bank Current Account	[✂]	[✂]	[✂]	[✂]

Source: CMA analysis of Runpath price outputs.
Note: Table excludes control accounts.

38. We next consider a different type of customer segmentation, based on account eligibility criteria, using the number of direct debits and the amount the customer has paid into the account each month. This segmentation allows us to assess whether product prices vary by the customer segment targeted by banks. The majority of customers (around 70% and above of customers at the majority of banks) fall within three segments (which are not dependent on direct debits): less than £500; £1,000 to less than £1,500; and £1,750 or more. We therefore focus our assessment on these. Prices for these segments are presented below, ordered by group market share (with highest group market share at the top).

39. The broad pattern emerging from this table is that average product prices are generally higher at banking groups with higher market shares, such that generally recent entrants and expanding brands seem to offer lower average prices, across customer segments. The ranking of providers across the three segments and the overall average product price is broadly consistent. This suggests that even considering different target markets, there is an overall

pattern that banks which are part of banking groups with higher market shares tend to have higher average prices.

40. Within this broad pattern, we see that most banking groups offer a number of different products, and that there are substantial differences between product prices charged at most banking groups (except for the Co-op and Clydesdale Bank[24]). As a result, we can see from the table that the higher market share banking groups also offer some relatively cheap products. The differences in product prices carry across the different customer segments, such that these banking groups are offering products which are better value for money for all customers compared with other products they offer.

[24] Clydesdale Bank has recently introduced a new product which we have not been able to fully take account of in the analysis, but we note that we estimate that this product has a higher price than for other products in this banking group.

Table 5: Estimated product prices by customer segment based on the amount the customer has paid into the account each month (Standard and Reward products, average over five years, benefits included)

Group	*Brand*	*Product*	*Less than £500*	*£1000 to less than £1500*	*£1750 or more*	*Product price*
LBG	Lloyds Bank	Lloyds Bank Classic Account	[✂]	[✂]	[✂]	£7.22
	Lloyds Bank	Lloyds Bank Club Lloyds Current Account	[✂]	[✂]	[✂]	£0.91
	Halifax	Halifax Current Account	[✂]	[✂]	[✂]	£4.21
	Halifax	Halifax Reward Current Account	[✂]	[✂]	[✂]	£4.27
	Bank of Scotland	Bank of Scotland Classic Account	[✂]	[✂]	[✂]	£5.89
	Bank of Scotland	Bank of Scotland Classic Account with Vantage	[✂]	[✂]	[✂]	£3.03
RBSG	NatWest	NatWest Reward Account	[✂]	[✂]	[✂]	£7.67
	NatWest	NatWest Select Account	[✂]	[✂]	[✂]	£4.99
	Royal Bank of Scotland	Royal Bank of Scotland Reward Account	[✂]	[✂]	[✂]	£6.32
	Royal Bank of Scotland	Royal Bank of Scotland Select Current Account	[✂]	[✂]	[✂]	£4.99
Barclays	Barclays	Barclays Bank Account	[✂]	[✂]	[✂]	£4.89
	Barclays	Barclays Bank Account with Blue Rewards	[✂]	[✂]	[✂]	£7.89
	Barclays	Barclays Premier Current Account	[✂]	[✂]	[✂]	£6.55
HSBCG	HSBC	HSBC Advance Bank Account (New)	[✂]	[✂]	[✂]	£3.65
	HSBC	HSBC Bank Account	[✂]	[✂]	[✂]	£3.25
	HSBC	HSBC Premier Bank Account	[✂]	[✂]	[✂]	–£0.76
	First Direct	First Direct 1st Account	[✂]	[✂]	[✂]	£3.16
	M&S Bank	M&S Bank Current Account	[✂]	[✂]	[✂]	–£12.92
	M&S Bank	M&S Bank Premium Current Account	[✂]	[✂]	[✂]	–£3.54
Santander	Santander	Santander 1|2|3 Current Account	[✂]	[✂]	[✂]	£0.07
	Santander	Santander Everyday Current Account	[✂]	[✂]	[✂]	£6.59
Nationwide BS	Nationwide Building Society	Nationwide Building Society FlexAccount	[✂]	[✂]	[✂]	–£0.25
	Nationwide Building Society	Nationwide Building Society FlexDirect Account	[✂]	[✂]	[✂]	£2.14
TSB	TSB	TSB Classic Current Account	[✂]	[✂]	[✂]	£7.24
	TSB	TSB Classic Plus Account	[✂]	[✂]	[✂]	£1.74
Clydesdale	Clydesdale Bank	Clydesdale Bank Current Account Plus	[✂]	[✂]	[✂]	£3.09
	Yorkshire Bank	Yorkshire Bank Current Account Plus - 16 and over	[✂]	[✂]	[✂]	£3.10
The Co-operative	smile	smile Current Account	[✂]	[✂]	[✂]	£3.80
	The Co-operative Bank	The Co-operative Bank Current Account	[✂]	[✂]	[✂]	£3.92
Metro Bank	Metro Bank	Metro Bank Current Account	[✂]	[✂]	[✂]	£1.61
Post Office	Post Office	Post Office Standard Account	[✂]	[✂]	[✂]	£1.44
Tesco Bank	Tesco Bank	Tesco Bank Current Account	[✂]	[✂]	[✂]	–£0.90

Source: CMA analysis of Runpath price outputs.
Notes: Table excludes control accounts.
'-' means that no price has been calculated for that customer segment because the eligibility criteria for the product are not met by the segment definition.

41. Products known as ‘control accounts’ allow customers to pay a monthly fee to avoid entering into unarranged overdraft. We find that these type of products are more expensive than other Standard/Reward products on average and by segment (see Appendix 3).

42. We next calculate estimates of average prices by banking group, for GB and NI. As explained, to calculate these averages, we use the existing customer mix of the banking group to weight the individual products. We found above that most banking groups have some relatively cheaper products as part of their portfolio, but if only a small proportion of their customers in 2014 held these products, then these cheap products will have only a minor impact on the overall group price.

Table 6: Average prices by group, £ per month (Standard and Reward, Year 5 prices including benefits, GB)

Group	*Overdraft user*	*Non-overdraft user*	*Group price*
LBG	£14.11	–£0.58	£5.85
RBSG	£11.09	£0.28	£4.99
Barclays	£10.69	£0.45	£5.00
HSBCG	£6.34	£0.09	£2.94
Santander	£13.19	–£4.11	£3.61
Nationwide Building Society	£4.67	–£3.68	£0.00
TSB	£16.06	£0.43	£7.24
Clydesdale	£10.01	–£1.93	£3.29
The Co-operative	£10.68	–£1.33	£3.90
Metro Bank	£3.70	£0.00	£1.61
Post Office	£2.85	£0.36	£1.44
Tesco Bank	£2.33	–£3.39	–£0.90
Average market price	**£8.81**	**–£1.12**	**£3.25**

Source: CMA analysis of Runpath price outputs.
Note: the average market price is calculated by doing a simple average of group prices for all banking groups listed in the table.

Table 7: Average prices by group, £ per month (Standard and Reward, Year 5 prices including benefits, NI)

Group	*Overdraft user*	*Non-overdraft user*	*Group price*
RBSG	£2.94	£0.20	£1.18
Danske Bank	£10.22	£0.23	£3.88
Santander	£7.40	–£2.02	£1.72
First Trust Bank (NI)	£10.88	£0.17	£4.13
LBG	£5.13	–£1.24	£1.09
Post Office	£1.28	£0.19	£0.59
Nationwide Building Society	£1.08	–£3.77	–£1.97
Barclays	£5.31	£0.20	£2.08
The Co-operative	£5.42	–£1.50	£1.03
HSBCG	£2.65	£0.02	£1.13
TSB	£8.67	£0.23	£3.32
Clydesdale	£5.63	£1.56	£2.98
Metro Bank	£1.92	£0.00	£0.70
Tesco Bank	£1.08	–£1.49	–£0.55
Average market price	**£4.97**	**–£0.51**	**£1.52**

Source: CMA analysis of Runpath price outputs.
Note: the average market price is calculated by doing a simple average of group prices for all banking groups listed in the table.

43. We looked at the relationship between price and the average length of time the products for that brand are held, as well as the relationship between price and market share.

44. Figure 1 shows the brand-estimated average price and the average length of time the products for that brand are held for GB. We find that there is a relatively close correlation, at 0.72. This shows that brands whose customers have held their accounts for longer tend to have higher prices on average; and indicates that banks who have a relatively less active customer base (as indicated by length of time products are held) are charging higher prices on average. For NI we find a similar trend (see Appendix 3).

Figure 1: Brand average prices and average time products are held for that brand (Standard and Reward, Year 5 prices including benefits), GB

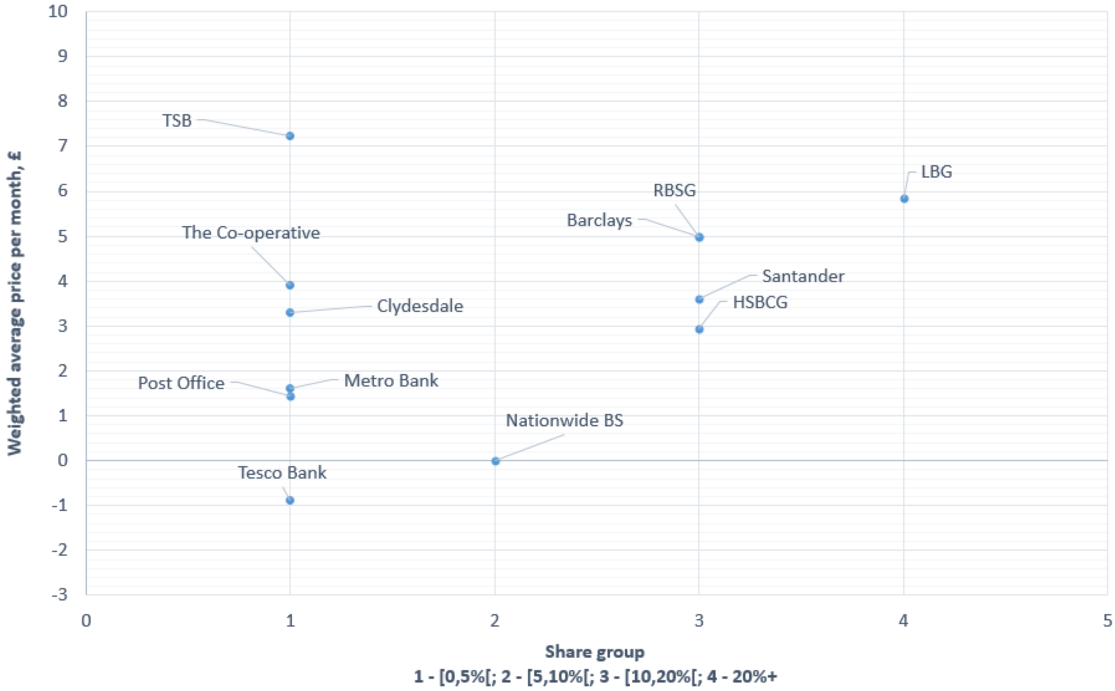
[✄]

Source: CMA analysis of Runpath price outputs.
Note: We have conducted a sensitivity analysis when calculating average time held per brand excluding transactions data observations whose date of PCA opening was prior to 1984, as the time held data showed unusual patterns prior to that date. However, the relationship between brand average prices and time held became less significant than without this sensitivity (correlation of 0.52).

45. Figure 2 shows group-estimated average price by group market share for GB. We see that there is a tendency for larger providers to have higher prices, as we observe a correlation of 0.54 between average group price and market shares. There are, however, some exceptions. One such exception is TSB (which was only recently divested from LBG). We also see that Co-op and Clydesdale have similar average prices to HSBCG and Santander, despite having lower market share. For NI, no trend emerges (see Appendix 3).

46. We also find that the length of time products are held and market share are reasonably closely correlated for GB (with Clydesdale and TSB being outliers and lowering the overall correlation found).

Figure 2: Group-average prices and market shares (Standard and Reward, Year 5 prices including benefits), GB



Source: CMA analysis of Runpath price outputs.
Notes: Market shares based on Appendix 5.1 PCA market structure of provisional findings report.
RBSG was not able to provide GB and NI shares for RBS and NatWest separately.
For Metro, we have assumed all accounts are in GB.
The Co-operative market share was calculated based on NI/UK ratio to total.
Tesco's market share and Post Office's market share in GB were obtained from 'Main PCAs (FRS data)' in 2014 (were not calculated) and are [✂]% and [✂]%, respectively.

Comparison of prices using aggregated and disaggregated data

47. LBG submitted its own pricing analysis using disaggregated transactions data rather than the aggregated transactions data we used in our analysis. We have compared the price estimates produced using these different data sets, to assess the impact on our results of using aggregated transactions data. We made several adjustments to both data sets in order for the prices to be comparable, including only comparing prices for LBG customers and only comparing products for which the prices are the same for both data sets (see Appendix 4 for further details). Overall, the prices for non-overdraft users are very similar, and so we are comfortable that the use of disaggregated data is not causing bias for estimates for non-overdraft customers.

48. For overdraft users, there are larger differences in the estimated prices, and directionally, this is mostly that our estimates are lower than LBG's estimates.

49. Overdraft users incur both interest and fees. A large proportion of fees for overdraft users are arranged overdraft fees and unarranged overdraft users fees, and this drives much of the difference between the estimates of prices in the two sets of results for overdraft users.

50. One factor that will be biasing up LBG's results is its use of compounding, rather than monthly reset as in our estimates. Under the compounding approach, LBG takes off fees from the monthly balance, whereas we do not in the monthly reset. This can lead to the customers' balances being lower in the LBG data set as the months of the price simulation progress. Particularly where charges are high, and/or customers are on the boundary of where charges will be incurred (eg the non-overdraft/arranged overdraft users; arranged overdraft/unarranged users), the compounding approach can lead to inflation of prices for these customers. This can take on a run-away affect as time progresses, such that by month 12 customers are incurring very heavy charges. LBG has made some adjustments for this, but we consider that this effect is likely to be heavily biasing upward their price estimates.

51. Separating out the impact on pricing of the compounding approach from the impact of using disaggregated data is not possible. Overall, then, this comparison does not provide evidence that the use of aggregated transactions data is biasing the price estimates. Importantly, the general pattern observed in the charts of estimated average prices against length of time account held and market share are not materially different using LBG's price estimates.

Price-quality outcomes

52. The existence of large variations in pricing across banks might indicate that customers of worse-performing banks would be better off switching away from their existing bank. However, it might also be reflective of differences in service quality, with customers making a trade-off between price and quality in choosing their account. In our provisional findings, we therefore interpreted the results of the pricing and quality analysis together.

53. We have updated this analysis and undertaken additional analysis on the relationship between prices and quality:

   (a) We updated our assessment at provisional findings on the relationship between prices and quality. This takes into account the revised price estimates and a number of recommendations made by the parties. In particular we extended our analysis to assess specific customer segments, and include satisfaction ratings from the GfK PCA survey.

   (b) We undertook additional analysis to compare prices and satisfaction levels for those respondents present in both the Runpath pricing sample and the GfK PCA survey. This enables us to directly compare the prices and quality that individual customers experience.

54. The analysis concentrates on two measures of quality:

(a) The net promoter score (NPS). This is a customer loyalty metric widely used by banks as part of their quality monitoring process, and is available from the GfK FRS survey.[25]

(b) The proportion of customers that are satisfied with their current account provider. This data is available from the GfK FRS survey, GFK PCA survey and Which? survey.[26,27]

55. LBG argued that customer satisfaction was not a meaningful indicator of quality, as it reflected customers' expectations and could be influenced by non-quality factors such as what we refer to as brand taint effects.[28] While we recognise that there are limitations to the use of satisfaction measures as a proxy for quality outcomes, we maintain our view that customer satisfaction is a useful and important indicator of quality.

56. First, customer satisfaction ratings have the benefit over alternative indicators (such as operational performance measures) of measuring service outcomes as perceived by the customer, as opposed to single inputs or components of the overall quality outcome. In this way they reflect the implicit weighting attached by customers to the various attributes of service. As a result, customer satisfaction ratings are widely used by both regulators and private companies (including banks) as measures of overall service quality.[29]

57. Second, we noted in our provisional findings that satisfaction ratings may partially reflect a customer's expectations of quality, and as such may not perfectly measure the actual quality of service offered.[30] However, to the extent that this is true, products that offer high quality should still receive

[25] Surveyed customers are asked how likely they are to recommend their provider to friends and family, on a scale of 0 to 10. The NPS is the percentage of customers reporting a score of 9 or 10 ('promoters') minus the percentage reporting a score of 6 or below ('detractors'). The NPS therefore ranges from –100 to +100.
[26] The GFK PCA measures satisfaction on a five-point scale (from 'very satisfied' to 'very dissatisfied') and the GFK FRS measures satisfaction on a seven-point scale (from 'extremely satisfied' to 'extremely dissatisfied'). We classify those in the PCA survey as 'satisfied' if customers responded that they are 'very satisfied' or 'fairly satisfied' with their provider, and those in the GfK FRS survey as 'satisfied' if customers respond that they are 'extremely satisfied', 'very satisfied' or 'fairly satisfied'.
The Which? satisfaction score is a hybrid measure calculated using a combination of respondents' overall satisfaction and how likely they are to recommend their bank to a friend.
[27] As there are definitional differences between the three sources, the scales are not directly comparable. Satisfaction measures from these datasets show differing degrees of variation in ratings (ranging from 86 to 98% from the GfK PCA consumer survey, 89 to 97% from the GfK FRS and 52 to 82% from the Which? satisfaction survey), and we note that each of the datasets follow different methodologies.
[28] LBG response to provisional findings report, paragraphs 18a, 1.5 and 2.30–2.31.
[29] Since 2011, for example, Ofwat has used customer satisfaction as one of its key metrics to compare and incentivise improvements in the service quality delivered by water companies. Further, in their responses to the PCA market questionnaire, 8 of the 13 banking groups cited the net promoter score (NPS) measure (used below) as a metric used to monitor and/or benchmark the quality of PCA service provided.
[30] Provisional findings, paragraph 5.74.

strong satisfaction ratings: products that receive lower satisfaction ratings are failing to meet their customers' expectations of quality.

58. Below we present the results of our analysis of the price and quality offerings by brand.[31] In the figures, we consider four possible outcomes:

(a) Customers pay **above**-average prices for **above**-average quality.

(b) Customers pay **below**-average prices for **below**-average quality.

(c) Customer pay **above**-average prices for **below**-average quality.

(d) Customers pay **below**-average prices for **above**-average quality.

59. Outcomes *(a)* and *(b)* are consistent with customers making rationale trade-offs between price and quality. However, evidence that customers pay **above**-average prices for **below**-average quality (outcome *(c)*) suggests that these customers would be better off switching product.

60. Our baseline scenario in the figures below consists of customers in GB with Standard and Reward accounts. We use prices inclusive of benefits in the baseline, and include results using prices excluding benefits in Appendix 5. The results are similar in both cases.

61. Figure 3 plots the average price of each brand against its NPS from the GfK FRS survey in which customers are asked how likely they are to recommend their provider to friends and family.

62. It is notable that there is a large cluster of providers offering **above**-average prices and **below**-average quality. Indeed, while nine providers are in this category, there are only three providers that have both **above**-average prices and **above-**average quality. In a well-functioning market, we would expect to find that customers are prepared to pay higher prices only in return for higher quality. Insofar as some providers are offering **below**-average quality products and **above**-average prices, we would expect these providers' share to decline rapidly as customers switch to better quality/lower priced providers.

63. Two of the three providers offering **below**-average prices and **above**-average quality – [✂] and [✂] – have been gaining market share in 2014.[32] This indicates that customers are switching to the best-performing banks, however, the market shares of both providers have increased only very slowly: [✂] and

[31] Appendix 5 presents the detailed analysis and results.
[32] We do not have comparable data on market share changes for the Post Office.

[✂] combined share of GB PCAs increased by less than [✂] percentage points between 2013 and 2014.

Figure 3: Comparison of NPS and PCA pricing by brand

[✂]

Source: CMA analysis of Runpath price outputs and GfK FRS. Price estimates include benefits. Price data is for 2016 and quality data is for 2014.
Note:
1. The arrows denote whether the bank's market share increased or decreased in 2014.
2. Surveyed customers are asked how likely they are to recommend their provider to friends and family, on a scale of 0 to 10. The NPS is the percentage of customers reporting a score of 9 or 10 ('promoters') minus the percentage reporting a score of 6 or below ('detractors'). The NPS therefore ranges from –100 to +100.

64. We considered satisfaction as an alternative measure of quality – specifically the proportion of customers that are satisfied with their current account provider. We used data from the GfK FRS survey, GfK PCA survey and Which? survey.[33]

65. While there is some movement in the positioning of brands (see Figures 4 to 6 below) and more variation in the distribution of providers using the data from the GfK PCA survey, we again see that a number of providers charge **above**-average prices and also have **below**-average satisfaction ratings, meaning that some providers are able to charge higher prices despite offering lower quality.

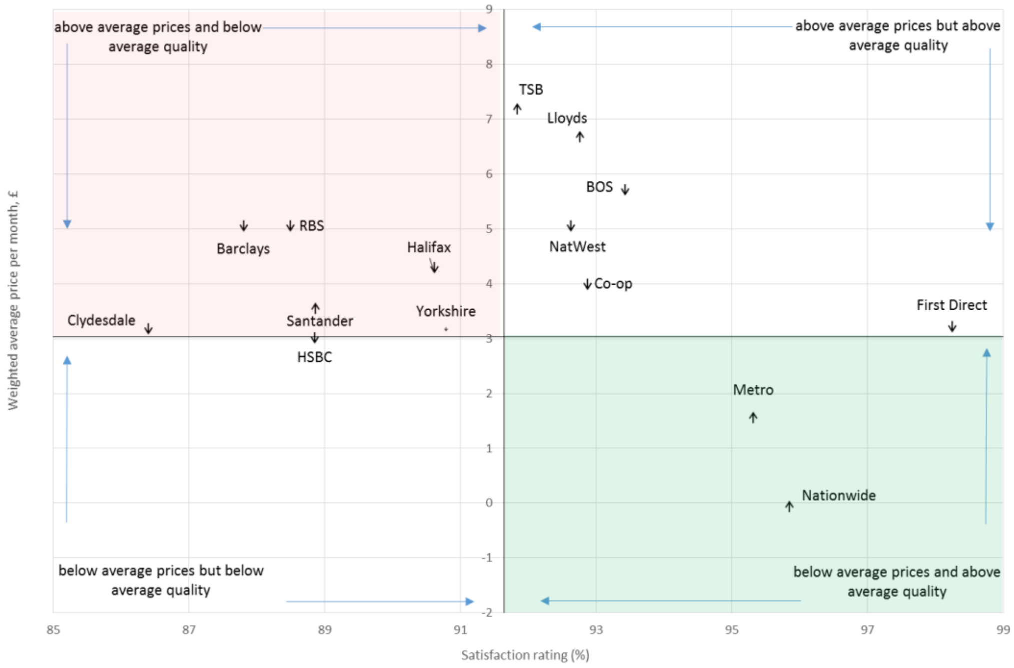
Figure 4: Comparison of GfK FRS satisfaction and PCA pricing by brand

[✂]

Source: CMA analysis of Runpath price outputs and GfK FRS. Price estimates include benefits. Price data is for 2016 and quality data is for 2014.
Notes:
1. The arrows denote whether the bank's market share increased or decreased in 2014.
2. The GfK FRS survey measures satisfaction on a seven point scale (from 'extremely satisfied' to 'extremely dissatisfied'). We classify those in the FRS survey as 'satisfied' if they respond that they are 'extremely satisfied', 'very satisfied' or 'fairly satisfied'.

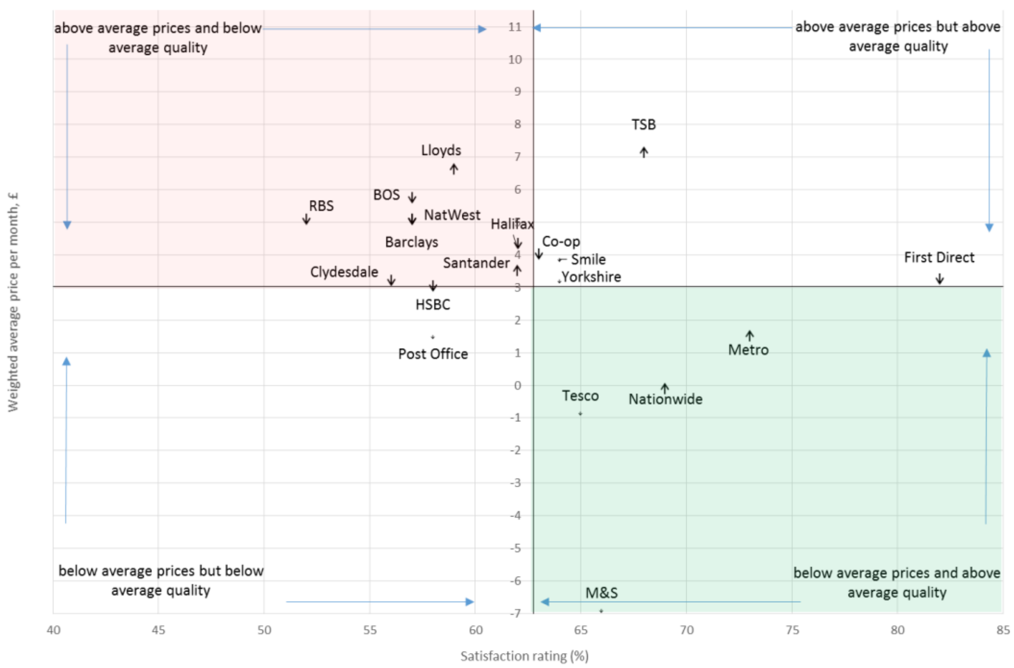
[33] The Which? results are derived using a much smaller sample compared with the GfK FRS and it has not been possible for us to independently verify the survey methodology. While we have some methodological concerns regarding the Which? survey, we prefer to include these results for completeness, and we note that the results are very much in line with our other sources of satisfaction data.

Figure 5: Comparison of GfK PCA satisfaction and PCA pricing by brand



Source: CMA analysis of Runpath price outputs and GfK PCA. Price estimates include benefits. Price data is for 2016 and quality data is for 2014.
Notes:
1. The arrows denote whether the bank's market share increased or decreased in 2014.
2. The GfK PCA survey measures satisfaction on a five-point scale (from 'very satisfied' to 'very dissatisfied'). We classify those in the PCA survey as 'satisfied' if they respond that they are 'very satisfied' or 'fairly satisfied' with their provider.

Figure 6: Comparison of Which? satisfaction and PCA pricing by brand



Source: CMA analysis of Runpath price outputs and Which?.
Note 1: The prices in the figure include benefits. Price data is for May 2016 and quality data is for January 2016. The arrows denote whether the bank's market share increased or decreased in 2014.
Note 2: The arrows for Barclays and NatWest cannot be distinguished in the figure.

66. We also assessed the relationship between average prices and quality within particular customer segments, such that within each segment the set of customers will be relatively more homogeneous. As in our more aggregated results, we find a large proportion of providers charging **above**-average price and offering **below**-average quality.

67. Next we used customer-level data (as opposed to the aggregate data used above) on price and quality. This allows us to directly compare, for given customers, the relationship between the price that customers are paying and the quality they report. This enables us to assess the extent to which there is a price-quality trade-off that may be obscured in our analysis of aggregate price and quality data. To do this analysis we used a sample of around 3,700 customers that were surveyed in the GfK PCA survey.[34]

68. Table 8 provides summary statistics on reported levels of satisfaction and average prices. It is notable that the average price per month steadily increases as the level of satisfaction decreases. It is clear from the table that the most satisfied customers on average paid much lower prices than the most dissatisfied customers: the difference in prices between those 'very satisfied' and 'very dissatisfied' is statistically significant at the 1% level, as is the difference in price between those 'fairly satisfied' and those that were 'fairly dissatisfied'.

69. These findings show that higher prices are not in general reflective of higher quality. They also undermine the view that satisfaction ratings simply reflect expectations: if that were the case, we would expect satisfaction scores to be roughly the same at all price levels. Instead, we find that those paying higher prices are significantly less likely to be satisfied with their account.

Table 8: Satisfaction levels from the GfK PCA survey and average prices

Reported satisfaction	*Percentage of respondents (%)*	*Average price per month (£)*
Very satisfied	52	–0.37
Fairly satisfied	39	2.04
Neither satisfied nor dissatisfied	5	5.47
Fairly dissatisfied	2	6.89
Very dissatisfied	2	12.00

Source: CMA analysis of Runpath price outputs and GfK PCA survey. Price estimates are without benefits.

[34] 84% of the respondents are in GB, and 16% are in NI. To maximise the number of observations we do not distinguish between the two GB and NI here. For the same reason we do not distinguish between 'Packaged' and 'Standard and Reward' accounts. The results are very similar if we restrict the analysis to GB and Standard and Reward accounts.

70. We also analysed, for these customers, whether the customers who were paying **above**-average prices were also receiving **above**-average quality. We found that there was a significant proportion of customers that pay above average prices and are not 'very satisfied' with their account, suggesting that these would benefit from switching their account. In addition, as previously noted, there is evidence that, even though many customers said that they did not switch because they were satisfied, they may simply not be aware of alternatives available to them and therefore be able to verify whether indeed they have the best product and service for them.[35]

Conclusion on price-quality analysis

71. In summary, our updated analysis of price and quality finds that there is a large number of providers which have above-average prices but below average satisfaction ratings. We have also conducted additional analysis matching individual customers' reported satisfaction with the price they are currently paying and how this price compares to the average they could get if they switched. This analysis confirms that there is a substantial proportion of customers who are currently paying above-average prices yet receiving relatively low quality.

72. In undertaking this analysis, we are only looking at a snapshot in time and so are not capturing the potential dynamics of customers shifting between providers. However, as we set out in our provisional findings, market shares are broadly stable and switching rates are low. Taken together, this therefore indicates that, in general, customers are not switching to 'low-price high-quality' providers and is evidence of a weak customer response to variations in prices and quality. Further, the customer-level information indicates that the price paid by customers is heavily linked to customer satisfaction with the product, which underlines the importance of considering price outcomes in this market.

Estimated gains from switching

73. We updated our analysis of gains from switching in provisional findings; the main changes compared to the analysis are:

(a) we used more recent pricing data;

(b) we took into account financial rewards on Reward accounts;

[35] See provisional findings, paragraphs 7.33–7.35.

(c) we extended the analysis to NI; and

(d) we conducted more sensitivities, including more sensitivities on our assumptions on type of overdraft usage.

74. To estimate potential gains from switching accounts, we calculated the difference between the price per month of the customer’s existing product and the price per month of the lowest priced products for that customer.[36] We did this separately for GB and NI.

75. While we would not expect all financial gains from switching to be realised in a well-functioning market, this analysis provides an estimate of the scale of the lack of customer engagement in the PCA markets.

76. Our gains from switching analysis is a static assessment, in the sense that we assume no changes in customer behaviour or provider prices. For example, we assume that customers do not change their usage patterns upon switching, and that customers would be able to obtain the same level of approved and unapproved overdraft from other banks as they obtain from their own bank. Providers may also change their pricing as switching increases. Therefore the gains from switching that we estimate should not be interpreted as the gains that all customers could achieve in the market if all customers switched to the best alternative product. Further, the potential gains from switching focus only on the monetary gains, and do not take into account aspects of quality.

77. We modelled the following switching scenarios:[37]

(a) **Standard/Reward**: this models customers on Standard or Reward products switching to other Standard and Reward PCA products. We model this option separately as a Standard/Reward product holder may not be willing to pay the monthly fee and value the benefits of a Packaged account.

(b) **Packaged**: this models customers on Packaged products switching to Standard, Reward or Packaged products. When calculating potential average gains for these customers, we only assume that customers would

[36] The analysis of gains from switching was conducted on the 10,995 sample, using customer segmentation 1 and the £100 unarranged overdraft assumption.
[37] Some accounts include a control feature, for which a customer pays a fee in order not to go into unarranged overdraft but this can be in any type of these accounts.

switch if a product is lower priced, although potentially with different benefits included.[38]

(c) **Internal switching**: this models customers switching to products only from the set of products at their current brand and separately for banking group.

78. In the calculations, we only include those customers that could gain from switching product given their usage pattern. This means that if a customer is already using a product which is the cheapest product (given that customer's usage pattern) they are excluded from the gains calculation. However, in calculating average gains, we include all accounts (except customers of basic bank accounts and student/young person's accounts).

79. Switching incentives and temporary discounts are not included in the value of the customer's current product. This is because, if a customer were to switch to a different brand, they would receive these switching incentives, but do not receive them by staying with their current brand.

80. Because of the existence of switching incentives, gains in the first month will sometimes be higher than gains in subsequent months. In order to calculate gains from switching, we calculated overall gains from switching over five years, and then averaged this in order to derive a monthly gain from switching. We consider that this measure is a good indicator to assess gains from switching: it has the advantage that it takes into account any one-off switching incentives and temporary discounts, but smooths their effect by averaging over a longer time period.[39]

81. In order to test the sensitivity of our results to the methodological assumptions used, we undertook various sensitivity tests and found that our assumptions did not substantially alter the estimates (see Appendix 6 for details).

82. The tables below show estimated gains for active PCA customers. There are substantial potential gains, and this evidence supports the view that there is a weak customer response in this market.

83. Gains from switching for customers holding Packaged accounts tend to be higher, however in order to estimate the gains from switching for Packaged

[38] Although customers in this model could switch to Standard, Reward or Packaged, because of the large value attributed to the benefits of Packaged accounts, the majority of customers on Packaged products only gain by switching to other Packaged products. See Appendix 6 for details.
[39] As we explain in Appendix 2, at a late stage Runpath told us that the five-year measure omitted paid and unpaid fees. We checked the sensitivity of our results in this section to this omission, and found that it was unlikely to have a material impact on the gains from switching analysis. See further details in Appendix 2.

accounts, we made assumptions on the value to customers of the benefits from packaged accounts[40], which may not be reflective of the true value customers place on the benefits and their usage of them. We also assume that customers may switch to products that have different benefits. For these reasons, the gains from switching for packaged accounts are less robust.

84. The results for NI are less robust, because the underlying customer transactions data for NI customers was incomplete in some respects and so we have had to make adjustments for this in order to produce price estimates.

Table 9: Average monthly gains from switching to five cheapest products, GB and NI, (five years including switching incentives and benefits), £ per month

	GB	*NI*
Standard/Reward		
Cheapest product	£17.72	£14.91
2nd cheapest	£9.88	£6.84
3rd cheapest	£8.30	£5.63
4th cheapest	£6.73	£4.32
5th cheapest	£5.80	£3.63
Average of 3 cheapest	£11.97	£9.13
Average of 5 cheapest	£9.69	£7.07
Packaged		
Cheapest product	£23.91	£30.94
2nd cheapest	£18.44	£23.55
3rd cheapest	£14.18	£16.49
4th cheapest	£9.61	£10.71
5th cheapest	£7.00	£7.79
Average of 3 cheapest	£18.84	£23.66
Average of 5 cheapest	£14.63	£17.90

Source: CMA analysis of Runpath price outputs.

Table 10: Gains from switching to average of five cheapest products, GB and NI, (five years including switching incentives and benefits)

Average of 5 cheapest products	*Monthly gain*	*Annual gain*	*Aggregate annual market gain (million)*
GB			
Standard/Reward PCAs	£9.69	£116.24	£5,736
Packaged PCAs	£14.63	£175.53	£1,198
NI			
Standard/Reward PCAs	£7.07	£84.81	£112
Packaged PCAs	£17.90	£214.77	£39

Source: CMA analysis of Runpath price outputs.
Note: Based on:
- Total number of active GB PCAs in 2014: 65,778,454.
- Since we do not have data on the split by account type for GB and NI separately, we assume the split to be in proportion to the UK split for 2014.
- Share of Standard/Reward PCAs in the UK in 2014: 75%.
- Share of Packaged PCAs in the UK in 2014: 10%.

85. Considering gains from switching by customer segment, there is a clear pattern: in general, gains are highest for those in overdraft and increase with

[40] See Appendix 2.

the number of days in overdraft (see table below) – this is with the exception of NI, although results for NI are less robust. For customers in credit, we also find a relatively consistent pattern whereby gains from switching tend to increase with the average credit balance.

Table 11: Average gains from switching to average five cheapest products, by account type and segment, GB and NI, (five years including switching incentives and benefits), £ per month

		GB		*NI*	
		Standard and Reward PCAs	*Packaged PCAs*	*Standard and Reward PCAs*	*Packaged PCAs*
Overdraft users	1–3 day(s) in overdraft	£7.86	£14.59	£6.79	£22.09
	4–7 days in overdraft	£13.21	£15.55	£11.14	£8.65
	8–14 days in overdraft	£17.20	£12.60	£28.45	£11.41
	15+ days in overdraft	£23.46	£19.10	£21.66	£12.57
Non-overdraft users	Less than £500	£5.66	£18.15	£5.68	£4.56
	£500 to less than £2,000	£5.97	£12.76	£5.79	£18.95
	£2,000 to less than £3,000	£6.93	£12.35	£5.92	£2.12
	£3,000 to less than £5,000	£8.22	£9.78	£6.00	-
	£5,000 to less than £7,500	£9.60	£11.12	£7.13	-
	£7,500 to less than £10,000	£10.29	£14.42	£4.93	£12.63
	£10,000 to less than £20,000	£9.56	£8.82	£5.52	£4.06
	£20,000 or more	£11.17	£7.54	£6.27	£23.82

Source: CMA analysis of Runpath price outputs.
Note: '-' indicates that there are no customers in this segment in the sample, currently holding that type of product in NI.

86. Focusing on how overdraft usage affects gains, we found that the lowest gains from switching are for those users who either do not use any overdraft, or are very light users of arranged overdrafts (1 to 3 days a year)[41] – this is again with the exception of NI. The largest potential average gains from switching are for those using unarranged overdraft, particularly for those with higher average days in unarranged overdraft and for those without arranged overdraft usage. As we have set out previously,[42] such customers might have difficulty finding a suitable PCA provider to switch to.

[41] Where we find that light arranged-only users have potential gains from switching that are less than the gains from switching for non-users, this is likely because, on average, they stand to gain less from switching to a PCA provider that pays interest on credit balances than the average user who does not go into overdraft at all.
[42] See provisional findings, paragraphs 7.111–7.116.

Table 12: Average gains from switching to average of five cheapest products, by account type and segment, GB and NI, (five years including switching incentives and benefits), £ per month

		GB		*NI*	
		Standard and Reward PCAs	*Packaged PCAs*	*Standard and Reward PCAs*	*Packaged PCAs*
Non-overdraft user		£7.41	£12.70	£5.85	£11.88
Overdraft user		£12.80	£15.61	£9.56	£18.90
Unarranged overdraft (with/without arranged overdraft)	1–3 days	£10.14	£14.13	£8.59	-
	4–7 days	£13.88	£23.37	£14.45	£9.62
	8–14 days	£20.26	£18.19	£31.23	£13.14
	15+ days	£27.11	£20.14	£24.23	£8.66
Arranged overdraft only	1–3 days	£6.67	£12.61	£6.14	£23.07
	4–7 days	£9.03	£11.15	£10.05	£6.70
	8–14 days	£10.78	£8.55	£15.62	£7.09
	15+ days	£16.53	£17.22	£16.76	£16.49
Unarranged overdraft only	1–3 days	£9.25	£18.51	£8.48	£9.25
	4–7 days	£28.61	£23.86	£17.65	-
	8+ days	£58.13	£29.00	£37.34	-

Source: CMA analysis on Runpath price outputs.

87. We looked to see how the gains were distributed across providers. For GB, we see that in general there are higher average gains for customers who hold an account with one of the higher market share banking groups – see table below with ordered by banking group market share in descending order. For customers of recent entrants there are lower average gains from switching. For NI we see no apparent trend.

Table 13: Average gains from switching to average of five cheapest products for all observations, by account type and current provider, GB (five years including switching incentives and benefits), £ per month

Banking group	*Bank*	*5 years (incl. switching incentives)*
Standard/Reward		
LBG	Lloyds	£11.84
	Halifax	£10.09
	BoS	£11.49
RBSG	NatWest	£11.16
	RBS	£10.81
Barclays	Barclays	£11.03
HSBCG	HSBC	£10.22
	First Direct	£9.28
	M&S Bank	£2.46
Santander	Santander	£8.20
Nationwide Building Society	Nationwide	£2.85
TSB	TSB	£6.00
Clydesdale	Clydesdale Bank	£6.65
	Yorkshire Bank	£6.39
	smile	£6.04
The Co-operative	Co-op	£6.18
Metro Bank	Metro	£1.19
Packaged		
LBG	Lloyds	£23.66
	Halifax	£11.08
	BoS	£31.46
RBSG	NatWest	£13.39
	RBS	£13.30
HSBCG	First Direct	£21.05
Nationwide Building Society	Nationwide	£5.74
Clydesdale	Clydesdale Bank	£3.42
	Yorkshire Bank	£18.52

Source: CMA analysis of Runpath price outputs.

Table 14: Average gains from switching to average of five cheapest products for all observations, by account type and current provider, NI (five years including switching incentives and benefits), £ per month

Banking group	*Bank*	*5 years (incl. switching incentives)*
Standard/Reward		
RBSG	Ulster Bank	£5.94
	NatWest	£12.41
	Royal Bank of Scotland	£32.12
Danske Bank	Danske Bank	£6.84
Santander	Santander	£8.55
LBG	Halifax	£11.04
	Bank of Scotland	£8.94
Post Office	Post Office	£6.18
Nationwide Building Society	Nationwide Building Society	£2.53
Barclays	Barclays	£10.60
Nationwide BS	The Co-operative Bank	£5.73
HSBCG	HSBC	£8.38
	First Direct	£8.28
	M&S Bank	£1.27
TSB	TSB	£5.67
Packaged		
RBSG	Ulster Bank	£24.42
	Royal Bank of Scotland	£0.00
LBG	Halifax	£10.75
	Lloyds Bank	£25.48
Nationwide BS	Nationwide BS	£6.14

Source: CMA analysis of Runpath price outputs.

88. When we restrict the switching options to internal switching only (that is, switching to the cheapest product within the same brand or to the cheapest product within the same group), the average gains from switching are substantially lower but, nevertheless, switching within banking group still leads to around £50 saving annually for Standard and Reward account holders (the equivalent annual figure for NI is around £15) and around £115 for Standard and Reward account holders (the equivalent annual figure for NI is around £250).

89. We conducted sensitivities related to customers holding products in the sample that are no longer available to new customers, such that current pricing data is not held in the pricing database ('legacy' or 'back-book' accounts). We found that the average gains from switching are very similar across all of these sensitivities.[43]

[43] We compared gains from switching on three different bases: *(a)* matching legacy accounts to the oldest on sale PCA; *(b)* using prices for these accounts in the transactions database based on 2014; *(c)* excluding legacy accounts.

Appendix 1: Parties' views

1. In this appendix we set out the parties' views in response to our provisional findings on the pricing analysis, and on the price-quality analysis.

Pricing analysis

Co-op

2. Co-op submitted that its overdraft proposition was among the cheapest in the market, and that it appeared that the high price for the Co-op's accounts in the CMA's analysis was driven by the cost to the highest-paying 10% of customers in the CMA's sample, while noting that 90% of customers would generally face a somewhat lower price for using the Co-op's current account than the market average. Co-op submitted that its overdraft proposition was designed for existing customers and its target market. It submitted that the CMA should take into account the fact that each banking group had varying target markets and look to avoid unfair and misleading comparisons that could result by using a particular provider's pricing against a cohort of transactional behaviour from a customer segment that the given provider would not in reality acquire. Overall, Co-op submitted that the pricing analysis suffered from a lack of transparency, in that it was not possible to determine what factors were driving what outcomes.

3. With respect to switching incentives, it told us that they are best viewed as marketing acquisition costs, most often featuring as part of wider advertising activity, giving customers high visibility of the main benefit of an account, typically accompanied by terms where the switch must be actioned within a defined time period. The frequency with which offers were changed or even withdrawn altogether was high. It suggested that switching incentives could be included separately, perhaps calculated over a shorter period, showing the cheapest products available on the market at that time.

4. With respect to the inclusion of rewards in the calculation, it suggested presenting a disaggregated view of the costs or benefits of a particular account, for example by low overdraft usage, high overdraft usage, credit position, and high transactors.

5. It submitted that the manner in which weightings had been used to reach Group level prices was unclear, and that the CMA's comparisons presented at 'banking group' level gave the impression that those were the costs paid by all customers, and this presentation was not fully transparent or fair.

***HSBCG*[1]**

6. HSBCG submitted that the following provisional conclusions were not based on robust evidence: (i) recent entrants and expanding brands tended to offer lower average prices; (ii) satisfaction ratings suggested an inverse relationship between quality of service and market shares; and (iii) banks appearing to offer lower average prices and/or better quality tended to have been gaining market share, but this was at a very slow pace. It submitted that these provisional conclusions were based on isolated (or limited) examples of banks gaining and losing market share, and any correlation between market share and quality was statistically insignificant, being driven by the results of a small number of banks with low market shares.

7. With respect to the provisional finding that longer-established banks are able on average to charge higher prices, it submitted that this was not based on robust evidence. In support of its argument it told us that:

   (a) the correlation between account tenure and price was weak, which suggests that other factors were driving differences in prices;

   (b) any correlation was statistically insignificant, as it relied on a small number of PCA providers who had only offered PCAs for a short period of time and have very small market shares; and

   (c) the account tenure information from banks was unreliable because IT system changes had led to inaccurate account start dates for many customers.

8. It stated that the potential gains from switching PCA providers were overstated because the analysis focused primarily on financial gains and underplayed the relevance of non-price factors which might reduce the gains from switching if the 'gaining' provider offered a weaker non-price proposition.

9. Further, it submitted that the assumptions underlying the pricing analysis had led to potential financial gains being overstated in many cases, because:

   (a) the analysis excluded benefits associated with customers holding other products with the same bank;

   (b) the gains from switching were based on the average of the five cheapest products, which unrealistically assumed that it might be sustainable for the cheapest products to be provided to all customers; and

[1] HSBCG response to provisional findings and Remedies Notice.

(c) the analysis did not account for any consequential changes a provider would likely make to its pricing structure as a result of any change in customer mix.

10. HSBCG argued that the gains for overdraft users were overstated since this focused on revenues rather than profitability. It explained that an individual bank's pricing structures reflected expected losses associated with its specific customer mix and credit risk appetite. HSBCG argued that a bank with a higher risk appetite (which was reflected in higher prices) might have permitted customers to incur a level of overdraft that would not have been offered by a bank with a lower risk appetite (which was reflected in lower prices). Therefore, a bank that was currently offering the lowest overdraft interest rates and charges might not have the risk appetite to take on higher-risk customers who were currently paying higher interest rates and/or charges at other banks, or would charge higher prices to reflect the higher level of risk imposed by such customers.[2]

LBG

11. LBG submitted that focusing on average prices paid per provider across the market, while providing an understanding of how much customers were paying for their accounts, excluded a large proportion of PCA revenues (around 40%) made up by credit balances and interchange.[3] Including these would provide a measure of average revenue per provider, which LBG submitted, along with average prices, was required to understand where value lay in the market. It submitted that we were correct that including revenues would not change the relative prices within a customer segment, but that including revenues would change relative prices across customer segments and would also help avoid the incorrect interpretation of the results as meaning that some providers were loss-making.

12. LBG submitted that the price and quality of a product and service would vary by customer segment; as such, an analysis of price and quality in PCAs and the relationship to market share would look at each segment separately and compare "like-with-like".[4] It found that there was a wide range in prices between customer segments for individual providers.[5] LBG submitted that it does not make economic sense to compare 'average prices' for providers that serve different customer segments.[6] It considered that an overall 'average' for

[2] HSBCG response to provisional findings and Remedies Notice, Annex 1 paragraph 2(c).
[3] LBG response to PCA pricing analysis, paragraphs 3.4–3.9, and LBG response to provisional findings, Executive Summary, paragraph 18.
[4] LBG response to provisional findings, paragraph 2.3.
[5] LBG response to provisional findings, Annex, paragraph 1.2.
[6] LBG response to PCA pricing analysis, paragraph 1.15.

each provider includes customer segments that a provider may not serve or target and noted that this is the type of comparison that the development of personalised price comparisons using open data is trying to move away from.[7] It submitted that the only way to assess relative prices between two providers is to compare products across those segments that both target.[8]

13. LBG submitted that the “right data” should be used in the analysis, which includes using disaggregated transaction-level data, the inclusion of paid and unpaid item charges, using the most recent market prices and treating account benefits on a consistent basis across products.[9] This would make the analysis of prices more accurate.

14. LBG submitted the following points on the pricing methodology:

(a) The analysis should use latest prices, as there had been significant price changes during the course of the inquiry.[10]

(b) The data omitted key customer volumes, such that many determinants of price for each customer were omitted or significant assumptions are needed, and these omissions and assumptions could have a significant impact on the results.[11]

(c) All account benefits should be treated on the same basis.[12] LBG submitted that account benefits were an important means of competitive differentiation that affected both price and quality attributes of PCAs, and that these should be taken into account in the analysis. However, it submitted that benefits offered by some, but not all, providers were included in the analysis; and where benefits were included, the CMA applied a face value to the benefit and did not account for the utilisation of the benefit. It considered that separating pricing and account benefits would avoid a misrepresentation of prices.

(d) The weighting of products to produce average prices per provider was wrong, and should instead be done on a most likely comparison basis (‘most likely comparator’), which would represent the price that customers would be offered if they compared providers or switched to that provider, rather than using a provider’s existing mix of customers to determine average prices.[13] LBG considered that the analysis should address the

[7] LBG response to PCA pricing analysis, paragraph 1.16.
[8] LBG response to PCA pricing analysis, paragraph 1.16.
[9] LBG response to PCA pricing analysis, paragraph 1.16.
[10] LBG response to provisional findings, paragraph 2.13.
[11] LBG response to provisional findings, paragraphs 2.15–2.18.
[12] LBG response to PCA pricing analysis, paragraphs 2.17 & 2.18.
[13] LBG response to provisional findings, paragraph 2.22.

question of what prices providers currently offered in the market (rather than what customers currently pay), and as such should use the 'most likely comparator' approach.[14] LBG also noted that this approach was consistent with our BCA pricing analysis, the inclusion of switching benefits and the exclusion of off-sale products from the analysis.[15]

(e) Control accounts should not be included as alternative products for customers, as they would imply reductions in overdraft usage.[16]

(f) Switching incentives had been selectively included, and the analysis ignored temporary introductory offers and fee-free overdrafts.[17]

15. With respect to the assessment of price and market shares, LBG told us that the relationship between market share and price was not statistically significant under the standard 5% and 10% confidence intervals,[18] and as such LBG stated that there was no tendency for larger banks to have higher prices.[19] It submitted that all analysis of prices and other competitive dimensions should individually assess each customer segment, given differences in price and quality across segments.[20]

16. LBG submitted that our analysis did not provide sufficient evidence supporting our provisional conclusion that there was a tendency for larger providers to have higher prices.[21] It submitted, however, that inaccuracies in the analysis do not materially change the findings on the gains from switching.[22]

17. On the analysis of gains from switching, LBG submitted that it should be made clear that the analysis could not be interpreted as the 'gains available if everyone switched', as higher levels of switching would lead to price changes.[23]

18. LBG argued that the uneven distribution of gains from switching meant that reporting average gains (£70 on average and £260 for high overdraft customers) was not illustrative – it noted that 64% of the gains from switching

[14] LBG response to Nationwide's comments on LBG's response to the CMA's PCA pricing analysis.
[15] LBG response to Nationwide's comments on LBG's response to the CMA's PCA pricing analysis.
[16] LBG response to provisional findings, paragraph 2.24.
[17] LBG response to provisional findings, paragraph 2.24.
[18] LBG response to provisional findings, Annex, paragraph 2.2.
[19] LBG response to provisional findings, paragraph 2.38.
[20] LBG response to provisional findings, Annex, paragraph 2.5.
[21] LBG response to PCA pricing analysis, paragraphs 1.7 & 1.8, and LBG response to provisional findings, section 1, paragraphs 1.20 & 1.24.
[22] LBG response to PCA pricing analysis, paragraphs 1.2–1.4.
[23] LBG response to provisional findings, paragraph 1.9.

were concentrated in just 20% of customers and for half of customers gains would be less than £36 per year on average.[24]

19. LBG submitted that our finding that some customers had a lot to gain from switching was based on a static assessment of the market. It submitted that customers that had high gains from switching in one year would not necessarily have the most to gain in subsequent years. LBG also said that banks must continually compete to gain revenue as customer value changed over time – it found that that nearly half of the 2011 cohort of customers had moved down income segments by 2014 and only [10–20%] had moved up. LBG submitted that the static results were likely to overestimate any long-term gains from switching for the majority of customers.[25]

20. LBG submitted that we should assess market concentration by value, not just by volume in order to assess the impact on our findings. LBG told us that it expected that the smallest providers were likely to be gaining the most valuable customers in the market.[26]

Nationwide

21. Nationwide submitted that the evidence available to the CMA suggested that there were competition concerns associated with market concentration, for the following reasons.[27]

22. First, the CMA's analysis indicated that UK banks with the highest market shares tended to have the highest average prices, and there was no general tendency for higher quality to offset higher prices.[28] Nationwide submitted that this was consistent with its analysis of the CMA data, which suggested that the relationship between market shares and prices held even when analysed on a more disaggregated basis.

23. Second, Nationwide submitted analysis from our data room, which it said showed that there were differences between large and small banks. Nationwide's analysis suggested that customers of large banks had substantially more to gain from switching as compared with customers of small banks. For example, the average customer of a large bank would gain £130 a year by switching to the cheapest product, compared with only £32 for customers of a small bank.[29] It submitted that some of these differences might

---

[24] LBG response to provisional findings, paragraph 2.48(c).
[25] LBG response to PCA pricing analysis, paragraphs 4.2–4.7.
[26] LBG response to PCA pricing analysis, paragraphs 4.8–4.10.
[27] Nationwide response to provisional findings, Detailed Appendix, paragraph 2.7.
[28] Provisional findings, Summary, paragraphs 43 & 44.
[29] These calculations are based on the average gain of switching for both standard/reward PCA customers and packaged PCA customers, on a five year basis (including switching incentives).

be attributable to differences in the overall customer base of large banks compared with small banks, as distinct from the pricing decisions of the banks.

24. Further, Nationwide considered more granular categories of customers, to establish whether the differences found overall persisted when a more homogeneous subgroup of customers was considered. It found that customers of large banks would gain more from switching than customers of small banks even within more granular categories of customers.

25. Nationwide submitted that, despite its analysis showing that customers of large banks had more to gain from switching, its extension of the econometric analysis on the propensity to search suggested that a customer holding a main account with a large provider decreased the likelihood of searching by almost 4%, holding all other customer characteristics equal.

26. Nationwide submitted that the analysis of the gains from switching excluded the back-book group of customers who held a PCA no longer available to new customers and these were likely to have the largest gains from switching. It found, using the historical price from the transactions data for the customer's PCA and comparing this to Runpath's estimated price for all other PCAs, that back-book customers could, on average, save between 47% and 75% more than front-book customers if they switched to the best alternative product available. It submitted that if these back-book customers were properly accounted for, the supporting evidence for the view that there were competition concerns associated with market concentration might be even stronger.

27. In its comments on LBG's response to the CMA's pricing analysis,[30] Nationwide submitted that:

(a) using transaction data instead of aggregated monthly data should allow prices to be calculated more accurately;

(b) segmentation of customers by credit balance and credit turnover might be useful given the potential product and customer mix effects that could stem from taking simple averages when comparing across providers;

(c) a ranking based on price did not take into account other important factors, such as quality of service;

(d) LBG's sample of customers might not be representative of the customers of other providers;

[30] Nationwide's comments on LBG response to the CMA's PCA pricing analysis.

(e) LBG's use of weights based on customers' likelihood of choosing a PCA product most appropriate for them given their usage, rather than using weights based on the actual PCA products held by the provider's customers is not consistent with the objectives of the CMA analysis. Nationwide submitted that it considers the purpose of the analysis to be to report estimates of historical average prices across PCA providers, not to provide a price comparison for customers as if they were switching to the most appropriate PCA for them based on their current PCA usage;

(f) LBG updating some but not all prices was problematic;

(a) LBG's failure to present a step-by-step analysis had meant that Nationwide could not comment on what was driving the differences in results;

(b) LBG made further assumptions, which Nationwide believed to be inappropriate, reducing the robustness of the results, and accordingly, any weight which could be placed on the results;

(c) Nationwide commented that LBG's paper suggested that a number of manual changes to the Runpath results were made, the materiality of which was not discussed in LBG's paper; and

(d) LBG ranked 15 and 14 in each of the segments <£1,500 CTO/<£3000 credit balance and £1500+ CTO/<£3000 credit balance respectively. It noted that these segments accounted for the majority of LBG's customers, namely between 60% and 80%. It submitted that according to this analysis, LBG was still the highest, or close-to-highest, priced provider for the majority of its customers, supporting the CMA's conclusions.

RBSG[31]

28. RBSG told us that our estimate of annual gains from switching (£70) is heavily influenced by a small group of customers (ie. heavy overdraft users, and those with very high credit balances). The estimate of the gains from switching is considerably lower at £33 when excluding these types of customers and it's view is that the variation in prices could easily be accounted for by differences in quality (eg customer service, brand value, convenience of banking facilities) which the CMA has not accounted for.[32]

[31] RBSG response to provisional findings and notice of possible remedies.
[32] RBSG response to provisional findings and notice of possible remedies, section 4.1, page 5 and section 6, page 8.

29. RBSG noted that the estimates of gains from switching were based on August 2015 prices and do not capture the impact of recent increases in prices, including the Santander increase, nor the launch of the RBS reward account.[33]

30. RBSG submitted that our pricing analysis assigns a value to a number of customer benefits but assumed all customers value these benefits equally. It argued that this may provide distorted results insofar as banks target certain customer groups and user types which value these benefits more highly. It submitted that our analysis does not assign a value to other services of benefit to customers such as the availability of contactless payment cards and quality, availability and reliability of mobile banking apps.[34]

31. RBSG told us that our estimate of the average value of cashback paid per account is considerably less than the actual value received for RBS customers.[35]

Santander[36]

32. Santander told us that there are greater gains available to customers switching from the largest four banks than to those customers switching from Santander UK and other challengers. It submitted that customers with large credit balances would gain more from switching to Santander's 123 account than our analysis suggests which was based on typical customer behaviour across the market.[37]

Price-quality analysis

33. We set out the parties' views on the price-quality analysis presented as part of our provisional findings in Section 5 and Appendix 5.5.

Barclays

34. Barclays submitted that our assessment of quality was based on three different sources – the GfK PCA survey, the GfK FRS survey and the Which? survey – each of which used different sample sizes and methodologies. It

[33] RBSG response to provisional findings and notice of possible remedies, section 6, page 8.
[34] RBSG response to provisional findings and notice of possible remedies, section 6, page 8-9.
[35] RBSG response to provisional findings and notice of possible remedies, section 5, page 9.
[36] Santander response to provisional findings and notice of possible remedies.
[37] Santander response to provisional findings and notice of possible remedies, Annex 1 paragraph 1d.

argued that the three sources all showed different levels of satisfaction, and noted that it did not consider the Which? survey to be sufficiently robust.[38]

35. Barclays argued that any apparent relationship between price and quality broke down when the analysis was disaggregated to consider particular aspects of quality such as branch location, mobile banking applications and telephone banking. It argued that different banks were ranked differently depending on the particular measure of quality, and customers appeared to self-select depending on which aspects of quality they considered to be most important. It therefore argued that by only considering overall satisfaction, the CMA had not given sufficient attention to consumer preferences.[39]

36. Rather than comparing measures of average quality with the CMA's own 'stylised' pricing analysis, Barclays submitted that a more accurate way to capture the price-quality relationship would have been to match up respondents from the GfK PCA survey with those respondents' cost of banking.[40] This would have enabled a direct comparison between a customer's satisfaction and the actual price that the customer paid for their bank account.

LBG

37. LBG submitted that customer satisfaction was not equivalent to quality and hence could not be used to consider the price-quality relationship. Instead, it argued that satisfaction reflected a customer's expectations given the price it paid for a product, and could also be affected by non-quality factors. It noted, for example, that TSB and Lloyds Bank digital services had different net promoter scores even though they were objectively identical.[41]

38. LBG submitted that banks targeted products at different customer segments, with pricing and quality tailored to these different segments. Some providers only targeted particular segments (eg more affluent consumers), some targeted different products at different segments, and some only offered certain channels (eg online only).[42]

39. LBG submitted that prices and quality should be assessed within particular segments of the market rather than averaging across segments.[43] It argued that customer satisfaction ratings reflected customers' expectations of price

[38] Barclays response to provisional findings, paragraphs 2.5 & 2.7.
[39] Barclays response to provisional findings, paragraph 2.6.
[40] Barclays response to provisional findings, paragraph 2.7.
[41] LBG response to provisional findings, paragraphs 18a, 1.5 & 2.30–2.31.
[42] LBG response to provisional findings, paragraph 2.2.
[43] LBG response to provisional findings, paragraph 2.3.

and quality within their segment of the market. By averaging across segments, it submitted that the CMA was not comparing like with like.

40. LBG argued that our analysis generated results that were inconsistent with other evidence. It did not recognise the characterisation of Lloyds and BoS as having high prices and low quality, and instead argued that LBG was one of the most competitive in the market.[44]

41. LBG argued that had our provisional findings used results from the GfK PCA survey to analyse the price-quality relationship, we would have found that there were no providers with above-average prices and below-average satisfaction.[45] It further argued that the Which? survey should not have been used, as the sample was unrepresentative and the ratings had no clear interpretation.[46] The CMA interpreted the ratings as the 'proportion satisfied', whereas in fact the Which? methodology applied arbitrary weights to different customer responses, and could not be interpreted in this way.

RBSG[47]

42. RBSG submitted that absolute satisfaction levels, particularly for PCAs, are high. The CMA should not infer differences in quality between banks given the narrow range in satisfaction scores in the GfK PCA survey and GfK FRS. The analysis exaggerates small differences between banks and is not sufficiently robust. It submitted that we should not use the Which? satisfaction data.[48]

[44] LBG response to provisional findings, paragraph 2.41.
[45] LBG response to provisional findings, paragraph 2.44.
[46] LBG response to provisional findings, paragraphs 2.44 & 2.32.
[47] RBSG response to provisional findings and notice of possible remedies
[48] RBSG response to provisional findings and notice of possible remedies, section 2, page 3-4.

Appendix 2: Data and assumptions

Introduction

1. We gathered anonymous transactions data from 2014 from a number of banks[1] operating in the UK. These are data for a sample of anonymous PCAs on account usage including average credit balance, average debit balance, number of days in arranged and unarranged overdraft, inbound payments and transfers into the account (excluding charges).

2. We contracted Runpath[2] to use the transactions data to estimate, for a representative sample of PCAs:

   (a) the net price per month of each account, using prices as of May 2016; and

   (b) the net price per month if each account holder switched to other PCAs to which it is eligible.[3]

3. Runpath did this using its own database of pricing information.

4. Runpath had to make a number of assumptions to conduct its calculations. Descriptive statistics on the data used in the main analysis are contained in Annex A. The complete list of assumptions and an explanation on how prices were calculated is available in the Assumptions Dictionary (Annex B).

Samples

5. The samples provided to Runpath were drawn from the transactions data set.[4] The transactions data set comprises the account usage data for the 120,000 accounts that had been sampled by GfK for PCA survey,[5] and was provided to the CMA directly by the PCA providers.

6. We excluded the following categories of accounts before we drew the samples:

---

[1] Yorkshire Bank, Ulster, TSB, Santander, RBS, NatWest, Nationwide, Metro, M&S Bank, Lloyds, HSBC, Halifax, Danske, Co-op, Clydesdale, BoS, BoI, Barclays, AIB.
[2] Runpath has specific experience of comparing PCA prices and has been involved in the Midata project.
[3] A PCA is only included in the comparisons for a particular account if, based on the transactions data for that account, the account holder meets the eligibility criteria for that PCA.
[4] This includes 97,509 records. Please see the 'Data cleaning' sub-sections for details of how the cleaning was carried out.
[5] These are described in the PCA survey technical report as the 'issued sample'. See GfK NOP PCA banking survey technical report for details.

(a) Basic bank accounts: following the agreement between nine major banks and the government,[6] the price of most basic bank accounts became very similar since December 2015.

(b) Student and Young Person's accounts: the price of these depends on account holder characteristics, which may not remain the same over time.

7. We have also excluded staff accounts as Runpath does not hold prices for these accounts.

8. We therefore carried out the analysis for:[7]

(a) Standard PCAs offering standard features only, usually free-if-in-credit to customers.[8]

(b) 'Reward' PCAs providing a cash reward (eg monthly payment, interest on credit balances, cashback linked to spending from the account).

(c) Packaged accounts providing customer benefits in kind (for example, phone insurance, travel insurance and breakdown cover). The calculations for packaged accounts require estimates of the value of these customer benefits.

9. We have conducted a number of additional data cleaning steps prior to sampling.

10. We sent transactions data for two separate samples to Runpath:

(a) Main sample.

(b) Survey sample.

Main sample

11. This is a stratified random sample drawn from the clean, anonymised transactions data set. As in the transactions data set, the strata are based on banking group, country, and switchers versus non-switchers.[9] However, unlike in the transactions data, where certain strata have been oversampled, in this

[6] See Basic bank accounts.
[7] Please refer to Annex B for the complete definitions of each of these account types.
[8] Santander classified its Everyday Current Account as a basic bank account. However, it does not meet the requirements of the definition of basic bank account and therefore it was regarded as a Standard account.
[9] Descriptions of strata are provided in Appendix H of GfK's report (eg stratum 1 is Lloyds Bank, England and Wales, switcher).

sample the strata have been drawn in proportion to their size in the population.[10] This has been done to avoid the need to use corrective weights.

12. The steps taken to draw the sample, removing the oversampling of certain strata are as follows:

    (a) **Step 1: Determining the required number of accounts in each stratum***.* For each stratum, we determined the number of accounts that should be drawn so that the share of each stratum in the sample was the same as its share in the population and given that the required total sample size was 10,000 for GB and 1,000 for NI.

    (b) **Step 2: Adjusting for duplication of joint accounts in the transaction data set**. In the transaction data set, each joint account had been duplicated for the PCA survey purposes (so that each of the account holders had an equal probability of selection).[11] As our analysis is done at the account level (rather than customer level), this duplication of joint accounts had to be removed.[12] This was done by:

        (i) determining the proportion of joint accounts in each stratum in the transaction data;

        (ii) assuming that, had it not been for the duplication, the number of joint accounts in each stratum in the transaction data would have been half of what it actually was and based on that, working out the required proportion of joint accounts in each stratum in the sample; and

        (iii) based on (ii) above determining how the total required number of accounts (determined at step 1) should be split between joint and single accounts.

    (c) **Step 3 – drawing sample according to the required number of single and joint accounts in each stratum, as determined at steps 1 and 2***.*

13. The estimates of average prices used in the pricing analysis and gains from switching analysis were obtained using this 10,995 sample.[13]

14. Descriptive statistics on the main sample are available in Annex A.

---

[10] In this context, population refers to the original database of over 67 million accounts, from which GfK drew a sample of 120,000 which we call transaction data – this is explained in more detail in the GfK technical report.
[11] See GfK NOP PCA banking survey technical report for more details.
[12] Note that this was only done for the 10,995 sample and not the survey sample.
[13] There are four observations in the main sample not matched by Runpath because the products they were being matched to stopped existing recently. These four observations show up as having no incumbent provider and their product type as ‘Unknown’.

Survey sample

15. The survey sample is a subset of the sample of 120,000 accounts drawn by GfK and it consists of accounts whose holders were eligible to take part in the PCA survey and agreed to do so.

16. The survey sample consists of customers' main accounts only. Since each customer could only have one main account, it is effectively a sample of PCA customers.[14]

17. The survey sample was used to do the price-quality analysis.

18. Note that a number of ineligible or incomplete records were removed from the survey sample before it was provided to Runpath. As a result only 3,709 records were used in the price-quality analysis.[15]

Segmentation

19. We have segmented customers in our samples in a number of different ways.

Based on account eligibility across the market

20. We segmented customers depending on the number of direct debits (DDs) on their account and value paid into account, resulting in the following segments:

    (a) less than £500;

    (b) less than 2 DDs and £500 to less than £750;

    (c) 2+ DDs and £500 to less than £750;

    (d) less than 2 DDs and £750 to less than £1000;

    (e) 2+ DDs and £750 to less than £1000;

    (f) £1000 to less than £1500;

    (g) less than 2 DDs and £1500 to less than £1750;

[14] At the start of the interview each respondent was asked whether the sampled account was their 'main' account and if it was established that it was not, the interview terminated. It was left to respondents to decide which was their main current account and, according to the definition of 'main' account provided, each respondent could only have one 'main account'. See GfK NOP PCA banking survey technical report for more details.
[15] There have been ten observations in the survey sample not matched by Runpath because the products they were being matched to stopped existing recently. These four observations show up as having no incumbent provider and their product type as 'Unknown'.

(h) 2+ DDs and £1500 to less than £1750; and

(i) £1750 or more.

21. We considered an account to belong to a certain segment if the majority of the payments into the account[16] were within the payment bands.

22. This segmentation illustrates differences in account eligibility across the market. Typically, this mostly depends on number of DDs and the amount of monthly payment and transfers into that particular account.

23. The variable we used to obtain the number of DDs for each account does not allow us to distinguish between number of DDs and standing orders (SOs). This has led us to create two types of customer segmentation definitions, in order to test the sensitivity of results to the assumption on the number of DDs considered:

(a) Customer segmentation 1, which assumes that the customer only has DDs (zero SOs); and

(b) Customer segmentation 2, which assumes that the customer has half DDs (and the other half SOs).

Based on average credit balance and average number of days in overdraft

24. We segmented observations depending on credit balance and average number of days in overdraft per month across the year[17] in the following manner:

(a) 1 to 3 day(s) in overdraft;

(b) 4 to 7 days in overdraft;

(c) 8 to 14 days in overdraft;

(d) 15+ days in overdraft;

(e) less than £500 credit balance, no overdraft;

(f) £500 to less than £2,000, no overdraft;

(g) £2,000 to less than £3,000, no overdraft;

[16] So as to not exclude a customer from the segment due to an abnormal amount of payments in in a certain month.
[17] Regardless of overdraft type.

(h) £3,000 to less than £5,000, no overdraft;

(i) £5,000 to less than £7,500, no overdraft;

(j) £7,500 to less than £10,000, no overdraft;

(k) £10,000 to less than £20,000, no overdraft;

(l) 20,000 or more, no overdraft.

Based on overdraft usage[18]

25. We segmented observations depending on their overdraft usage. More specifically, whether customers have used their overdraft, and if so, the average days of overdraft use per month across the year. A distinction between arranged and unarranged overdrafts is also made. Below is a list of the different segments:

(a) no overdraft;

(b) unarranged overdraft (with or without arranged) 1 to 3 days;

(c) unarranged overdraft (with or without arranged) 4 to 7 days;

(d) unarranged overdraft (with or without arranged) 8 to 14 days;

(e) unarranged overdraft (with or without arranged) 15+ days;

(f) arranged only overdraft, 1 to 3 days;

(g) arranged only overdraft, 4 to 7 days;

(h) arranged only overdraft, 8 to 14 days;

(i) arranged only overdraft, 15+ days;

(j) unarranged only overdraft, 1 to 3 days;

(k) unarranged only overdraft, 4 to 7 days;

(l) unarranged only overdraft, 8+ days.

[18] Regardless of overdraft type.

Assumptions

Time periods

26. In order to allow for different expected periods of holding PCAs, and therefore different periods throughout which switching incentives should be averaged, Runpath's calculations of monthly prices were carried out for the following time periods:

    (a) For periods of 12 months (Y1 measure) and five years (Y5 measure) and then averaged to represent a monthly price. These calculations include switching incentives (such as one-off payments to the customer, first-year discounts and preferential interest rates).

    (b) Excluding all temporary switching incentives available at that date in the market, such as one-off payments to the customer, first-year discounts and preferential interest rates (M measure). This corresponds to the average of the second year monthly price (as switching incentives are only available in the first 12 months of switching).

27. At a late stage and shortly before publication of this working paper, our contractor, Runpath, told us that the Y5 measure did not include unpaid and paid items fees due to an error in running the data. Unpaid and paid items fees were included in the other two measures (Y1 and M).

28. We have controlled for the sensitivity of our results to this omission by comparing results we have found for the different measures. We found that the analysis of gains from switching was unlikely to be affected by this omission in any material way. We find that gains from switching are very similar whether using the M measure (excluding switching incentives), and the Y5 measure, and therefore the omission of the unpaid and paid item fees does not appear to affect the results. Therefore, for the analysis of gains from switching, we continued to use the Y5 measure as our main metric.

29. For the analysis of average prices, the omission of paid and unpaid fees introduces a downward bias to the estimation of the average prices when using the five year measure. When comparing Y5 average prices and M average prices, we found these were generally similar, and where there were differences these appear to be largely driven by the switching incentives (ie, where the Y5 measure is significantly higher than the M measure, this corresponds to cases where the switching incentive is large). However, we considered that the omission might introduce some bias when comparing prices of different products, brands and bank groups using the Y5 measure, insofar as the downward bias to prices of products with relatively larger paid

and unpaid items fees would be greater. Therefore, in the analysis of average prices, we corrected the Y5 measure by constructing a new measure which smooths the impact of switching incentives over 5 years, and takes into account the paid and unpaid fees. Specifically, we constructed a 5 yearly monthly average price as follows:

$$\frac{12 * Y1 + 48 * M}{60}$$

Account benefits obtained from other banking products (other than PCAs)

30. Net prices were calculated without taking into account benefits obtained from other banking products that depend on also holding a PCA; for example, some banks provide a preferential rate for regular savings made from a PCA. We note that, in principle, customers may choose to have less beneficial terms on their PCA in order to access a more beneficial rate on another product. On balance, however, we considered it better to exclude such benefits as they appeared principally aimed at encouraging holders of PCAs to take out other products and therefore tended to reflect a reduction in the price of the other product rather than that of the PCA.

Legacy accounts

31. For each account in the sample, Runpath estimated the price for their current product and for each PCA product for which they are eligible. However, Runpath was not in all cases able to match the PCA name shown in the transactions data with their own PCA data. This was mostly because some PCAs are no longer available to new customers and therefore not held in Runpath's database of products currently being sold in the market. We asked Runpath to match these legacy accounts to the oldest on sale PCA.[19] This might lead to inaccuracies in the analysis. We therefore conducted a number of sensitivities in the switching analysis related to legacy accounts.[20]

Fee suppression/waivers

32. We do not take into account fee suppression or waivers of overdraft fees in our analysis.[21] This will be particularly relevant when interpreting results for

[19] This occurred for 1578 observations in the main sample and 681 in the survey sample.
[20] For example, a Packaged account that is a legacy product might be matched against the oldest on-sale PCA of the same provider, which might for example be a Standard account. In this particular case, this would cause it to be compared only against other Standard and 'Reward' accounts instead of also being compared against Packaged accounts in the gains from switching analysis.
[21] We do, however, take into account overdraft fee caps.

overdraft users and means that the actual fees for these customers are likely to be smaller.

Annex A: Descriptive statistics on main sample

1. This appendix includes descriptive statistics on the main sample.

2. The two tables below show the number of observations of each product type, by provider in the main sample, in each region.

Table 1: Number of observations of each product type, by provider, GB

Provider	*Packaged*	*Standard/ Reward*	*Unknown*	*Grand total*
Unknown	[✂]	[✂]	[✂]	[✂]
BoS	[✂]	[✂]	[✂]	[✂]
Barclays	[✂]	[✂]	[✂]	[✂]
Clydesdale Bank	[✂]	[✂]	[✂]	[✂]
First Direct	[✂]	[✂]	[✂]	[✂]
Halifax	[✂]	[✂]	[✂]	[✂]
HSBC	[✂]	[✂]	[✂]	[✂]
Lloyds	[✂]	[✂]	[✂]	[✂]
M&S Bank	[✂]	[✂]	[✂]	[✂]
Metro	[✂]	[✂]	[✂]	[✂]
Nationwide	[✂]	[✂]	[✂]	[✂]
NatWest	[✂]	[✂]	[✂]	[✂]
RBS	[✂]	[✂]	[✂]	[✂]
Santander	[✂]	[✂]	[✂]	[✂]
smile	[✂]	[✂]	[✂]	[✂]
Co-op	[✂]	[✂]	[✂]	[✂]
TSB	[✂]	[✂]	[✂]	[✂]
Yorkshire Bank	[✂]	[✂]	[✂]	[✂]
Grand total	[✂]	[✂]	[✂]	[✂]

Source: CMA's analysis on main sample.
Note: There have been four observations in the main sample not matched by Runpath because the products they were being matched to stopped existing recently. These four observations show up as having no incumbent provider and their product type as 'Unknown'.

Table 2: Number of observations of each product type, by provider, NI

Provider	*Packaged*	*Standard/ Reward*	*Grand total*
BoS	[✂]	[✂]	[✂]
Barclays	[✂]	[✂]	[✂]
Danske Bank	[✂]	[✂]	[✂]
First Direct	[✂]	[✂]	[✂]
First Trust Bank	[✂]	[✂]	[✂]
Halifax	[✂]	[✂]	[✂]
HSBC	[✂]	[✂]	[✂]
Lloyds	[✂]	[✂]	[✂]
M&S Bank	[✂]	[✂]	[✂]
Nationwide	[✂]	[✂]	[✂]
NatWest	[✂]	[✂]	[✂]
Post Office	[✂]	[✂]	[✂]
RBS	[✂]	[✂]	[✂]
Santander	[✂]	[✂]	[✂]
Co-op	[✂]	[✂]	[✂]
TSB	[✂]	[✂]	[✂]
Ulster Bank	[✂]	[✂]	[✂]
Grand total	[✂]	[✂]	[✂]

Source: CMA's analysis on main sample.

3. The tables below show the percentage of observations of each product type by segment, in each region.

Based on account eligibility across the market

4. The tables in this subsection refer to customer segmentation 1 as that is the segmentation we use in the main analysis. Statistics for customer segmentation 2 are very similar.

Table 3: Percentage of Standard/Reward product observations per segment and incumbent provider, GB

	Customer segment									
Provider	*Less than £500*	*£1,000 to less than £1,500*	*£1,750 or more*	*<2 DDs & £500 to <£750*	*<2 DDs & £750 to <£1,000*	*<2 DDs & £1,500 to <£1,750*	*2+ DDs & £500 to <£750*	*2+ DDs & £750 to <£1,000*	*2+ DDs & £1,500 to <£1,750*	*Total percentage of Standard/Reward observations for each provider across the sample*
BoS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Clydesdale Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Direct	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Lloyds	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
M&S Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Metro	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
NatWest	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
RBS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
smile	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Co-op	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Yorkshire Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Total percentage of Standard/ Reward observations in each segment across the sample	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA's analysis on main sample.
Note: There have been four observations in the main sample not matched by Runpath because the products they were being matched to stopped existing recently. These four observations show up as having no incumbent provider and their product type as 'Unknown'.

Table 4: Percentage of Packaged product observations per segment and incumbent provider, GB

	Customer segment									
Provider	*Less than £500*	*£1,000 to less than £1,500*	*£1,750 or more*	*<2 DDs & £500 to <£750*	*<2 DDs & £750 to <£1,000*	*<2 DDs & £1,500 to <£1,750*	*2+ DDs & £500 to <£750*	*2+ DDs & £750 to <£1,000*	*2+ DDs & £1,500 to <£1,750*	*Total percentage of Packaged observations for each provider across the sample*
BoS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Clydesdale Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Direct	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Lloyds	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
M&S Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Metro	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
NatWest	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
RBS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
smile	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Co-op	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Yorkshire Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Total percentage of Packaged observations in each segment across the sample	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA's analysis on main sample.
Note: There have been four observations in the main sample not matched by Runpath because the products they were being matched to stopped existing recently. These four observations show up as having no incumbent provider and their product type as 'Unknown'.

Table 5: Percentage of Standard/Reward product observations per segment and incumbent provider, NI

	Customer segment									
Provider	*Less than £500*	*£1,000 to less than £1,500*	*£1,750 or more*	*<2 DDs & £500 to <£750*	*<2 DDs & £750 to <£1,000*	*<2 DDs & £1,500 to <£1,750*	*2+ DDs & £500 to <£750*	*2+ DDs & £750 to <£1,000*	*2+ DDs & £1,500 to <£1,750*	*Total percentage of Standard/Reward observations for each provider across the sample*
BoS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Danske Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Direct	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Trust Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Lloyds	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
M&S Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
NatWest	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Post Office	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
RBS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Co-op	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Ulster Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Total percentage of Standard/ Reward observations in each segment across the sample	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA's analysis on main sample.

Table 6: Percentage of Packaged product observations per segment and incumbent provider, NI

	Customer segment									
Provider	*Less than £500*	*£1,000 to less than £1,500*	*£1,750 or more*	*<2 DDs & £500 to <£750*	*<2 DDs & £750 to <£1,000*	*<2 DDs & £1,500 to <£1,750*	*2+ DDs & £500 to <£750*	*2+ DDs & £750 to <£1,000*	*2+ DDs & £1,500 to <£1,750*	*Total percentage of Packaged observations for each provider across the sample*
BoS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Danske Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Direct	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Trust Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Lloyds	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
M&S Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
NatWest	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Post Office	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
RBS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Co-op	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Ulster Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Total percentage of Packaged observations in each segment across the sample	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA's analysis on main sample.

Based on average credit balance and average number of days in overdraft

Table 7: Percentage of Standard/Reward product observations per segment and incumbent provider, GB

	Characteristics												
Provider	*15+ days in overdraft*	*8 to 14 days in overdraft*	*4 to 7 days in overdraft*	*1 to 3 day(s) in overdraft*	*Less than £500, no overdraft*	*£500 to less than £2,000, no overdraft*	*£2,000 to less than £3,000, no overdraft*	*£3,000 to less than £5,000, no overdraft*	*£5,000 to less than £7,500, no overdraft*	*£7,500 to less than £10,000, no overdraft*	*£10,000 to less than £20,000, no overdraft*	*£20,000 or more, no overdraft*	*Total percentage of Standard/ Reward observations for each provider across the sample*
BoS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Clydesdale Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Direct	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Lloyds	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
M&S Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Metro	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
NatWest	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
RBS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
smile	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Co-op	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Yorkshire Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Total percentage of Standard/ Reward observations in each segment across the sample	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA's analysis on main sample.
Note: There have been four observations in the main sample not matched by Runpath because the products they were being matched to stopped existing recently. These four observations show up as having no incumbent provider and their product type as 'Unknown'.

Table 8: Percentage of Packaged product observations per segment and incumbent provider, GB

	Characteristics												
Provider	*15+ days in overdraft*	*8 to 14 days in overdraft*	*4 to 7 days in overdraft*	*1 to 3 day(s) in overdraft*	*Less than £500, no overdraft*	*£500 to less than £2,000, no overdraft*	*£2,000 to less than £3,000, no overdraft*	*£3,000 to less than £5,000, no overdraft*	*£5,000 to less than £7,500, no overdraft*	*£7,500 to less than £10,000, no overdraft*	*£10,000 to less than £20,000, no overdraft*	*£20,000 or more, no overdraft*	*Total percentage of Packaged observations for each provider across the sample*
BoS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Clydesdale Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Direct	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Lloyds Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
M&S Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Metro	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
NatWest	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
RBS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
smile	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Co-op	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Yorkshire Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Total percentage of Packaged observations in each segment across the sample	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA's analysis on main sample.
Note: There have been four observations in the main sample not matched by Runpath because the products they were being matched to stopped existing recently. These four observations show up as having no incumbent provider and their product type as 'Unknown'.

Table 9: Percentage of Standard/Reward product observations per segment and incumbent provider, NI

	Characteristics												
Provider	*15+ days in overdraft*	*8 to 14 days in overdraft*	*4 to 7 days in overdraft*	*1 to 3 day(s) in overdraft*	*Less than £500, no overdraft*	*£500 to less than £2,000, no overdraft*	*£2,000 to less than £3,000, no overdraft*	*£3,000 to less than £5,000, no overdraft*	*£5,000 to less than £7,500, no overdraft*	*£7,500 to less than £10,000, no overdraft*	*£10,000 to less than £20,000, no overdraft*	*£20,000 or more, no overdraft*	*Total percentage of Standard/Reward observations for each provider across the sample*
BoS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Danske Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Direct	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Trust Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Lloyds	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
M&S Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
NatWest	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Post Office	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
RBS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Co-op	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Ulster Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Total percentage of Standard/ Reward observations in each segment across the sample	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA's analysis on main sample.

Table 10: Percentage of Packaged product observations per segment and incumbent provider, NI

	Characteristics												
Provider	*15+ days in overdraft*	*8 to 14 days in overdraft*	*4 to 7 days in overdraft*	*1 to 3 day(s) in overdraft*	*Less than £500, no overdraft*	*£500 to less than £2,000, no overdraft*	*£2,000 to less than £3,000, no overdraft*	*£3,000 to less than £5,000, no overdraft*	*£5,000 to less than £7,500, no overdraft*	*£7,500 to less than £10,000, no overdraft*	*£10,000 to less than £20,000, no overdraft*	*£20,000 or more, no overdraft*	*Total percentage of Packaged observations for each provider across the sample*
BoS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Danske Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Direct	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Trust Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Lloyds	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
M&S Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
NatWest	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Post Office	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
RBS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Co-op	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Ulster Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Total percentage of Packaged observations in each segment across the sample	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA's analysis on main sample.

Based on overdraft usage[22]

Table 11: Percentage of Standard/Reward product observations per segment and incumbent provider, GB

		Unarranged (with or without arranged)				*Arranged only*				*Unarranged only*			*Total percentage of Standard/ Reward observations for each provider across the sample*
Provider	*No overdraft*	*Unarranged overdraft (with or without arranged) 1-3 days*	*Unarranged overdraft (with or without arranged) 4-7 days*	*Unarranged overdraft (with or without arranged) 8-14 days*	*Unarranged overdraft (with or without arranged) 15+ days*	*Arranged only overdraft, 1-3 days*	*Arranged only overdraft, 4-7 days*	*Arranged only overdraft, 8-14 days*	*Arranged only overdraft, 15+ days*	*Unarranged only overdraft, 1-3 days*	*Unarranged only overdraft, 4-7 days*	*Unarranged only overdraft, 8+ days*	
BoS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Clydesdale Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Direct	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Lloyds Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
M&S Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Metro	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
NatWest	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
RBS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
smile	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Co-op	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Yorkshire Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Total percentage of Standard/Reward observations in each segment across the sample	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA's analysis on main sample.
Note: There have been four observations in the main sample not matched by Runpath because the products they were being matched to stopped existing recently. These four observations show up as having no incumbent provider and their product type as 'Unknown'.

[22] Regardless of overdraft type.

Table 12: Percentage of Packaged product observations per segment and incumbent provider, GB

		Unarranged (with or without arranged)				*Arranged only*				*Unarranged only*			
Provider	*No overdraft*	*Unarranged overdraft (with or without arranged) 1-3 days*	*Unarranged overdraft (with or without arranged) 4-7 days*	*Unarranged overdraft (with or without arranged) 8-14 days*	*Unarranged overdraft (with or without arranged) 15+ days*	*Arranged only overdraft, 1-3 days*	*Arranged only overdraft, 4-7 days*	*Arranged only overdraft, 8-14 days*	*Arranged only overdraft, 15+ days*	*Unarranged only overdraft, 1-3 days*	*Unarranged only overdraft, 4-7 days*	*Unarranged only overdraft, 8+ days*	*Total percentage of Packaged observations for each provider across the sample*
BoS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Clydesdale Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Direct	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Lloyds Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
M&S Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Metro	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
NatWest	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
RBS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
smile	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Co-op	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Yorkshire Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Total percentage of Packaged observations in each segment across the sample	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA's analysis on main sample.
Note: There have been four observations in the main sample not matched by Runpath because the products they were being matched to stopped existing recently. These four observations show up as having no incumbent provider and their product type as 'Unknown'.

Table 13: Percentage of Standard/Reward product observations per segment and incumbent provider, NI

		Unarranged (with or without arranged)				Arranged only				Unarranged only			
Provider	*No overdraft*	*Unarranged overdraft (with or without arranged) 1-3 days*	*Unarranged overdraft (with or without arranged) 4-7 days*	*Unarranged overdraft (with or without arranged) 8-14 days*	*Unarranged overdraft (with or without arranged) 15+ days*	*Arranged only overdraft, 1-3 days*	*Arranged only overdraft, 4-7 days*	*Arranged only overdraft, 8-14 days*	*Arranged only overdraft, 15+ days*	*Unarranged only overdraft, 1-3 days*	*Unarranged only overdraft, 4-7 days*	*Unarranged only overdraft, 8+ days*	*Total percentage of Packaged observations for each provider across the sample*
BoS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Danske Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Direct	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Trust Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Lloyds	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
M&S Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
NatWest	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Post Office	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
RBS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Co-op	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Ulster Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Total percentage of Packaged observations in each segment across the sample	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA's analysis on main sample.

Table 14: Percentage of Packaged product observations per segment and incumbent provider, NI

		Unarranged (with or without arranged)				*Arranged only*				*Unarranged only*			
Provider	*No overdraft*	*Unarranged overdraft (with or without arranged) 1-3 days*	*Unarranged overdraft (with or without arranged) 4-7 days*	*Unarranged overdraft (with or without arranged) 8-14 days*	*Unarranged overdraft (with or without arranged) 15+ days*	*Arranged only overdraft, 1-3 days*	*Arranged only overdraft, 4-7 days*	*Arranged only overdraft, 8-14 days*	*Arranged only overdraft, 15+ days*	*Unarranged only overdraft, 1-3 days*	*Unarranged only overdraft, 4-7 days*	*Unarranged only overdraft, 8+ days*	*Total percentage of Standard/ Reward observations for each provider across the sample*
BoS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Danske Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Direct	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Trust Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Lloyds	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
M&S Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
NatWest	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Post Office	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
RBS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Co-op	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Ulster Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Total percentage of Standard/Reward observations in each segment across the sample	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA's analysis on main sample.

Annex B: Assumptions Dictionary

Runpath

Assumptions Dictionary

Runpath

Runpath

Contents

Revisions

Who	When	What
Runpath	2015	Original Document from 2015
Runpath	12.2.2016	Updates following requested changes from CMA
CMA	15.2.2016	CMA add benefits details and weighted average example
CMA	16.2.2016	CMA change the how the value calculation works
CMA	18.2.2016	CMA change further how the value calculation works
Runpath	22.2.2016	Updates to benefits table values, additional definitions and other tidy ups
Runpath	29.2.2016	Updates from all the discussions over email
Runpath	1.3.2016	Additions from the CMA email in regards to overdrafts
Runpath	2.3.2016	Final review of all amends
CMA	2.3.2016	Update and furthers additions
Runpath	3.3.2016	Final additions, plus change on overdrafts
Runpath	4.3.2016	Overdraft calculation update and formatting
Runpath	14.4.2016	Updated to reference additional data run on 14.4.2016
Runpath	29.4.2016	Updates following rerun of data

General

- This document includes a description of the assumptions made in developing the pricing model using the customer transactions dataset provided by the CMA and the Runpath PCA product dataset. The model provide:
    - Estimated potential savings from switching;
    - Comparison of average prices for different products, brands and banking groups;
    - More disaggregated comparison of prices.
- All CMA provided variable values have been engineered to represent 12 months. So, for example, if only 3 months were provided the results were repeated to achieve 12 months. Also, because there should be consistency across certain variables,[1] when there were missing values in only some of them, all related variables values were also extrapolated.
- If an incumbent account cannot be matched to a current available product in the market to switch to, then it has been matched to the oldest on sale PCA of the respective provider's brand. A list of these products can be found in the unmatched accounts table below. It is also worth noting that the price for all accounts in the sample (including unmatched accounts) has also been calculated based on historic values available in the dataset. More details can be found in the value calculation table below.
- 1,578 accounts cannot be matched to a currently available account in the PCA market from the 10,995 sample.
- 681 accounts cannot be matched to a currently available account in the PCA market from the 3,709 sample.
- A calculation of payment fees (a113 and a114) is not included in the value calculation as there is not enough fidelity to determine what they might be. For reassurance only 16 accounts had charges related to cheque payments and 62 accounts had charges related to payments, from the 10995 sample data set. In the 3,709 sample data set only 6 accounts had charges related to cheque payments and 31 accounts had charges related to payments.
- Location segmentation is based on the following signals provided in the data to identify NI and GB located customers.
- Any customer tax bands are not taken into account when interest, and cashback incentives are paid. Due to no insight into an individual's tax status.
- Interest, cashback and switching incentives are shown net of 20% tax.
- It is down to the individual to either claim back the 20% or pay more if they are a higher rate taxpayer.
- Incumbent, best bank and group alternative values are based on the monthly value excluding incentives calculation.
- For products that offer cash based switching incentives, when the incumbent account is with that brand, the value of the switching incentive is not added to the value calculation, because it would not be available to the customer.

[1] For example, consistency across overdraft balance, number of days in overdraft and overdraft limit and consistency across average credit balance and average number of days in credit.

Runpath

List of output files produced for the CMA

The CMA requested two separate dates for the data outputs. The table below outlines the differences between the files produced on those different dates.

Date of data run	Sample size	Customer segment groups	Unauthorised overdraft assumption
27.4.2016	10,995	Group 1	£100
27.4.2016	3,709	Group 1	£100
27.4.2016	10,995	Group 2	£100
27.4.2016	3,709	Group 2	£100
27.4.2016	10,995	Group 1	£20

Product type

The CMA has only taken into account in its analysis standard, reward and packaged PCAs.

Standard	Reward	Packaged
All of these must be true: 0.01% or no credit interest No cashback No benefits Not basic accounts	One of these must be true: 0.01%+ credit interest received Cashback	If there is an account fee and any benefit from this list : Mobile & gadget offers Breakdown cover Travel insurance Home emergencies Life insurance Shopping protection

There are two accounts that offer a benefit from the packaged criteria list, but as they do not charge an account fee they are considered reward accounts.

- HSBC Premier Bank Account
- Nationwide BS Flex Account

There are also two accounts that charge an account fee, and have a benefit that is not on the list above, but the benefit does have a value. The valuation was requested by the account provider, and is not a generic value that is applied to other products that have benefits in that category. The valuation of benefits is explained further in the benefits section. These accounts are also considered as reward accounts.

- M&S Premium Current Account
- Lloyds Bank Club Lloyds Current Account

As all reward account observations in the samples, these products will only be compared against Standard and Reward products in the gains from switching analysis.

The benefits value of these accounts will be included in the account value calculations.

Unmatched account table

As mentioned above, when a legacy PCA cannot be matched to an on sale PCA, it is matched to the oldest on sale PCA.

In the output file there is a flag to indicate when this has happened. 1 means it has been matched to the oldest on sale PCA.

The CMA provided the list of oldest on sale PCAs for each provider. This was based on information from each Provider. The list is shown below.

Brand	**RP Product ID**	**Account name**
AIB	9637	Classic Account
Bank of Scotland	9709	Classic Account
Barclays	9783	Bank Account
BOI	9800	Standard Account
Clydesdale	9658	Current Account Plus
Coop	9649	Current Account
Danske	9726	Danske Choice
First Direct	9743	1st Account - with First Directory
Halifax	9668	Current Account
HSBC	9798	Premier Bank Account
Lloyds	9713	Classic Account
M&S	9772	Premium Current Account
Metro	9740	Current Account
Nationwide	9629	FlexAccount
Natwest	9687	Select Account
RBS	9694	Select Current Account
Santander	9718	Everyday Current Account
Smile	9682	Current Account
TSB	9815	Classic Current Account
Ulster	9641	Standard Current Account
Yorkshire	9731	Current Account Plus

Minimum income

From the CMA data, Runpath cannot determine the income of the account holders. This is an issue as there are a few products that have minimum income requirements of the account holder, but they do not have minimum payments into the account requirements. Therefore there will be a number of products that would appear eligible to account holders, but in reality would not be.
Some account examples:

	Minimum income	Regular payments	Account type
HSBC Premier Bank Account	£100,000 per annum	None required	Reward
Natwest Black Account	£100,000 per annum	None required	Packaged

To counter this, Runpath is using the 'payments in' data provided by the CMA as income (data from a119 to a121). If two out of the three variables are equal or above to the required monthly minimum income requirements, Runpath considers the user eligible.

Existing customer only

Existing customer only products are included in the list of products that can be switched to, as there is little barrier to opening these accounts. There are 9 products that this applies to.

9819	TSB - Platinum Account	"You need to already be a Classic or Silver Account holder to upgrade to Platinum - you'll be able to do this through Internet Banking once you've held your account with us for a few months."
9820	TSB - Silver Account	"You need to be a Classic Account holder to upgrade to a Silver Account - you'll be able to do this through Internet Banking once your Classic Account is up and running."
9803	Post Office - Packaged Account	"Exclusive upgrade for Standard Account customers only Apply to upgrade from a Standard Account by calling 0845 266 8977."
9798	HSBC - Premier Bank Account	"HSBC Premier is available to you, as long as you pay your annual income into your HSBC Premier Bank Account and either: 1) Have savings or investments of at least £50,000 with HSBC in the UK; or 2) have an individual annual income of at least £100,000 and one of the following products with HSBC in the UK: - a mortgage; - an investment, life insurance or protection product."
9756	Bank of Scotland – Silver Account	"If you have a Classic Account, you can upgrade to one of our Added Value Accounts through Internet Banking."
9754	Bank of Scotland Platinum account	"If you have a Classic Account, you can upgrade to one of our Added Value Accounts through Internet Banking."
41644	Bank of Scotland Platinum Account with Vantage	"If you have a Classic, Silver, Platinum, Gold or Premier Account, you can add Vantage to it."
41643	Bank of Scotland Silver Account with Vantage	"If you have a Classic, Silver, Platinum, Gold or Premier Account, you can add Vantage to it."
9756	Bank of Scotland Silver Account	"If you have a Classic Account, you can upgrade to one of our Added Value Accounts through Internet Banking."
9696	Royal Bank of Scotland - Black Account	"You need to hold a Select account and apply for the upgrade in a Branch."

Location based exclusions

The Royal Bank of Scotland does not offer the same products across the UK. It only offers certain products to those in Scotland and different products in England & Wales.

To account for this, the CMA has provided additional information on whether the observations in the samples are in Scotland. If the observation is in Scotland, Scotland products only are shown as potential switching candidates, otherwise, England & Wales products only.

The relevant products are listed below:

Scotland only	
44880	Reward
9789	Reward Platinum
9695	Reward Silver
44884	Reward Black
England & Wales only	
9696	Black

Timings used

All figures in the output file are presented as a monthly average.

- **Monthly – Excluding incentives**
    - Monthly figure = Sum of Year 2/ 12.
    - By Year 2 all short term switching incentives have come to an end.
    - This is how the account would be valued for an average month in Year 2.
    - Used for incumbent and non-incumbent product values.
- **Year 1 – Including incentives**
    - Monthly figure = Sum of Year 1/ 12.
    - This is how the account would be valued for an average month in Year 1.
    - It takes all switching incentives into consideration.
    - The only item excluded is the cash for switching incentive if they are an existing brand customer.
    - Used for non-incumbent product values only.
- **Year 5 – Including incentives**
    - Monthly figure = Sum of 5 years/ 60.
    - This is how the account would be valued for an average month over 5 years.
    - It takes all switching incentives into consideration.
    - The only item excluded is the cash for switching incentive if they are an existing brand customer.
    - Used for non-incumbent product values only.

Value calculation

Value calculation = Payments in – Payments out

The ultimate goal of CMA's analysis is to calculate the prices that customers are currently paying for their PCAs (regardless of whether they are still on sale or not) and ascertain the gains from switching to other current cheaper products.

Because Runpath does not hold information (terms, fees, etc) regarding legacy PCAs, a proxy will be needed for current prices for legacy PCA observations and Runpath will calculate this in two different ways as a sensitivity. Therefore, the calculation of prices customers currently pay for their PCAs will differ depending on whether the observations in CMA's samples refer to an on-sale PCA or to a legacy PCA. In summary, prices should be calculated in the following way:

- **Incumbent price calculations regardless of whether the observation corresponds to legacy (ie not on-sale) account or not:**
    - Calculation 1 - Uses fees, interest, etc as set out in the transaction data (2014).[2] It will also include benefits (2016), cashback (2015) and paid/unpaid items charges (2015) values corresponding to that legacy PCA.[3]

- **Incumbent price calculations if observation corresponds to legacy (ie not on-sale) account:**
    - Calculation 2 - Uses account behaviour (2014) provided in the transaction data and Runpath product data on current (2016) market fees/rates of the oldest on-sale PCA of that provider. It will also include benefits (2016), cashback (2015) and paid/unpaid items charges (2015) values corresponding to the oldest on-sale PCA.

- **Incumbent price calculations if observation corresponds to an on-sale account:**
    - Calculation3 - Uses account behaviour (2014) provided in the transaction data and Runpath product data on current (2016) market fees/rates of that PCA. It will also include benefits (2016), cashback (2015) and paid/unpaid items charges (2015) values corresponding to that particular PCA.

- **Prices for non-incumbent products:**
    - Calculation 4 - For all products that are not the incumbent product of a given observation - price calculations use account behaviour (2014) provided in the transaction data and Runpath product data on current (2016) market fees/rates of that PCA. It will also include benefits (2016), cashback (2015) and paid/unpaid items charges (2015) values corresponding to that particular PCA.

[2] Although the CMA acknowledges that this provides 2014 values rather than 2016 values for the calculation of prices that legacy PCA customers are paying, the CMA considers this to be better than using 2016 prices for an on-sale PCA of the same provider when determining a proxy for 2016 legacy PCA prices.

[3] It is relevant to note that whereas transaction data is outdated, the values of benefits/cashback/paid/unpaid items are current (or at least 2015) values and not past values for the legacy PCA.

How the value calculation works - payments in:

	Calculation 1 **Calculated for all observations in the sample**	**Calculation 2** **Calculated for legacy account observations only (based on oldest on sale PCA product)**	**Calculation 3** **Calculated for all observations in the sample (corresponds to calculation 2 in the case of legacy account observations)**	**Calculation 4** **Calculated for not incumbent products (ie the products used to assess gains from switching)**
PAYMENTS IN				
Credit Interest	Sum of a31 to a42 in CMA file.	Based on a7 to a18 and a19 to a30 to establish balance and days in credit and calculated against the current terms of the oldest on sale PCA of the incumbent provider.	Based on a7 to a18 and a19 to a30 to establish balance and days in credit and calculated against the current terms of that product.	Based on a7 to a18 and a19 to a30 to establish balance and days in credit and calculated against each individual products rates.
Cashback	Uses current cashback values provided by the CMA for the account where available in the cashback table. There is no weighting applied. Otherwise, assume zero.	Uses current cashback values provided by the CMA. A weighted average is used if there are multiple products in the cashback table that Runpath considers as being the same product. Otherwise, assume zero.	Uses current cashback values provided by the CMA. A weighted average is used if there are multiple products in the cashback table that Runpath considers as being the same product. Otherwise, assume zero.	Uses current cashback values provided by the CMA. A weighted average is used if there are multiple products in the cashback table that Runpath considers as being the same product. Otherwise, assume zero.
Switching incentive	Not included. As only the 'Month1Excl.SwitchIncentives' timeframe is calculated.	Not included. As only the 'Month1Excl.SwitchIncentives' timeframe is calculated.	Not included. As only the 'Month1Excl.SwitchIncentives' timeframe is calculated.	Included in Year 1 scenario and Year 5 calculation. Not shown to existing brand account holders.
Benefits	Uses current benefit values provided by the CMA for the account where available in the benefits tables. Otherwise, assume zero. See benefits section for what is included.	Uses current benefit values for the oldest on sale PCA provided by the CMA, where available in the benefits tables. Otherwise, assume zero. See benefits section for what is included.	Uses current benefit values provided by the CMA where available in the benefits tables. Otherwise, assume zero. See benefits section for what is included.	Uses current benefit values provided by the CMA where available in the benefits tables. Otherwise, assume zero. See benefits section for what is included.

Runpath

How the value calculation works - payments out:

	Calculation 1 **LEGACY PCA**	**Calculation 2** **OLDEST ON SALE PCA**	**Calculation 3** **ON SALE PCA**	**Calculation 4** **ON SALE PCA**
PAYMENTS OUT				
Overdraft fees and interest	Sum of a82 to a93 and a94 to a105.	Based on a43 and a46 to 81, to establish authorised limit, balance, and days in overdraft by overdraft type and calculated against the oldest on-sale PCA of that provider rates, fees, buffers and caps. *Includes assumptions noted in the "Overdrafts" section.	Based on a43 and a46 to 81, to establish authorised limit, balance, and days in overdraft by overdraft type and calculated against product rates, fees, buffers and caps. *Includes assumptions noted "Overdrafts" section.	Based on a43 and a46 to 81, to establish authorised limit, balance, and days in overdraft by overdraft type and calculated against product rates, fees, buffers and caps. *Includes assumptions noted "Overdrafts" section.
Foreign fees	Sum of a110	Based on a111 and a112 to establish number of ATM and transactions abroad and calculated against the oldest on-sale PCA of that provider rates and fees. *Includes assumptions noted in the "Foreign Transactions" section.	Based on a111 and a112 to establish number of ATM and transactions abroad and calculated against the product rates and fees. *Includes assumptions noted in the "Foreign Transactions" section.	Based on a111 and a112 to establish number of ATM and transactions abroad and calculated against the product rates and fees. *Includes assumptions noted in the "Foreign Transactions" section.
Annual fee	Sum of a109	Calculated against oldest on-sale product fees and exceptions.	Calculated against product fees and exceptions.	Calculated against products fees and exceptions.
Paid/ Unpaid fees	Uses current paid/unpaid items charges values provided for the account, where available in the paid/unpaid items charges table. There is no weighting applied. Otherwise, assume zero.	Uses current paid/unpaid items charges values provided for the oldest on-sale product of that provider, where available in the paid/unpaid items charges table. A weighted average is used if there are multiple products in the paid/unpaid products table that that Runpath considers as being the same product. Otherwise, assume zero.	Uses current paid/unpaid items charges values provided for that product as according to the paid/unpaid items charges values, where applicable. A weighted average is used if there are multiple products in the paid/unpaid products table that that Runpath considers as being the same product. Otherwise, assume zero.	Uses current paid/unpaid items charges values provided for that product as according to the paid/unpaid items charges values, where applicable. A weighted average is used if there are multiple products in the paid/unpaid products table that that Runpath considers as being the same product. A weighted average might be needed here. Otherwise, assume zero.

Note: Whether the account holder is eligible or not to its incumbent product is ignored when calculating incumbent prices.

Credit Interest

The average balance is treated as being that balance for everyday in that month that the user was in credit.

A year corresponds to 365 days.

Runpath has not rebalanced any credit interest against the average credit balance.

For Ulster Bank there were no averages supplied, rather end of month balance. These have been treated as averages to ensure consistency.

Transaction cashback value

The CMA asked the banks to provide data on cashback figures for their PCA products so as to calculate the average cashback per account on each product[4] in 2015 (year value) when the source of funding is the banking group, or when the source of funding cannot be separated between banking group and the merchant(s)'.

These averages per product for each account are added to the value of calculation. For details on cashback allocation please refer to Appendix 1.

Switching incentives

Switching incentives are in two categories:

1. **Ignored if they are an existing brand customer, because a customer would not benefit from these when switching within brand**

Example:

- Cash for switching – eg £100
    - First Direct 1st account - £100 for switching to the account - only offered to people who haven't previously held an account with First Direct.

2. **Included even if they are an existing brand user, because a customer would benefit from these when switching within brand**

Examples:

- Improved credit interest
    - Coventry BS offers 1.1% credit interest for 12 months, after which it drops to 0%.
- Reduced overdraft fees
    - Nationwide Flexdirect offers £0 per day authorised overdraft fee for 12 months – After which it rises to 50p per day.
- Reduced annual fees for a set time
    - First Direct 1st account – 6 month fee reduction to £6 for 6 months after which it rises to £10.

Switching incentives and improved terms are included in Year 1 of switching gains calculations and not beyond that. However, switching incentives are also included in the Year 5 calculation as that is a sum of years 1 – 5.

[4] Averages were calculated based on total amount of cashback paid in each product during 2015 divided by the number of active accounts on each product in 2015.

Benefits

The proposed benefits values are based on:

- Market average pricing for specific items – eg mobile and gadget insurance, breakdown cover
- Customer behaviour – if a customer has to take on another product to benefit from the benefit, Runpath has assigned no value to the benefit. For example, discounts on mortgage, access to a saving rate. This is because CMA's view is that this constitutes a reduction in the price of the other product rather than increasing the value of the PCA product.
- Detailed explanations for the values in table below can be seen in Appendix 2.

This table does not include the switching incentives or cashback as these are already included in the valuation calculations.

Category	**Proposed Value**
Mobile & gadget offers	£90 pa
Breakdown cover	£90 pa
Travel insurance	£50 pa
Cashback	See cashback table.
Switching incentive	Calculated
Switching incentive voucher	Calculated
Existing customer offers	No value
Exclusive offers and rewards	No value
Help and advice	No value
Home emergency cover	£120 pa
Lifestyle offers	No value
Enhanced customer service	No value
Motoring offers	£70 pa
Life insurance	No value
Shopping offers	£30 pa
Appliance warranty insurance	£140 pa
Travel advice and offers	No value ATM and purchase costs are covered in the value calculations

It is worth noting that this table of benefits includes both benefits found in packaged accounts and in some reward accounts.

Product benefit value exceptions

This sub-section includes exceptions to the valuations above.
The CMA has asked that specific products have their account benefits added individually, for products from banks that provided the CMA with specific valuations for the benefits in 2016 and justified their rational for the valuations. This means that the above table is ignored for the products outlined in the table below, and instead the amount listed below is used.
The breakdown of the values in the table below can be seen in Appendix 2.

On sale PCA benefits values

RP Product ID	Provider	Account Name	Value
9754	Bank of Scotland	Platinum Account	[✂]
41644	Bank of Scotland	Platinum Account with Vantage	[✂]
9756	Bank of Scotland	Silver Account	[✂]
41643	Bank of Scotland	Silver Account with Vantage	[✂]
9666	Clydesdale Bank	Signature Current Account	[✂]
9679	Halifax	Ultimate Reward Current Account 2	[✂]
9839	Lloyds Bank	Club Lloyds Current Account	[✂]
41641	Lloyds Bank	Club Lloyds Platinum Account	[✂]
41639	Lloyds Bank	Club Lloyds Silver Account	[✂]
9758	Lloyds Bank	Platinum Account	[✂]
9759	Lloyds Bank	Silver Account	[✂]
9772	M&S Bank	Premium Current Account	[✂]
28344	M&S Bank	Current Account	[✂]
9795	Nationwide BS	FlexPlus	[✂]
44883	NatWest	Reward Black Account	[✂]
9787	NatWest	Reward Platinum Account	[✂]
44884	Royal Bank of Scotland	Reward Black Account	[✂]
9695	Royal Bank of Scotland	Reward Silver Account	[✂]
9789	Royal Bank of Scotland	Reward Platinum Account	[✂]
9819	TSB	Platinum Account	[✂]
9820	TSB	Silver Added Value Account	[✂]

Legacy PCA benefits values

RP ID	Provider	Account Name	Value
n/a	Co-op	Privilege	[✂]
n/a	Co-op	Privilege Premier	[✂]
n/a	Smile	Smile More	[✂]
n/a	TSB	Premier	[✂]
n/a	TSB	Gold	[✂]
n/a	TSB	Select	[✂]

Values were provided either directly from Providers to CMA or obtained from the Which? report available at the following location:
http://www.which.co.uk/money/bank-accounts/reviews-ns/bank-accounts/packaged-accounts

Overdrafts

The data the CMA provides to Runpath has only one figure for average overdraft balance per day, but number of days in overdraft in a given month is split between arranged and unarranged.

As a result different calculations occur, as outlined in the table below. Runpath should provide outputs assuming X= £100, and X=£20. The outputs to be provided separately (in separate files), with the same format.

<table>
<tr><th>AOD days</th><th>UAOD days</th><th>OD balance minus OD limit</th><th>AOD Average balance for the days in which the account is also in unarranged overdraft (2 days out of the 5 days)</th><th>AOD Average balance for the days in which the account is not in unarranged overdraft (3 days out of the 5 days)</th><th>UAOD Average balance for the days in unarranged overdraft (2 days)</th></tr>
<tr><td>0</td><td>0</td><td>n/a</td><td>n/a</td><td>n/a</td><td>n/a</td></tr>
<tr><td>>0</td><td>0</td><td>n/a</td><td>n/a</td><td>Average overdraft balance a70 to a81</td><td>n/a</td></tr>
<tr><td>0</td><td>>0</td><td>n/a</td><td>n/a</td><td>n/a</td><td>Average overdraft balance a70 to a81</td></tr>
<tr><td>>0 (eg 5)</td><td>>0 (eg 2)</td><td>>£X assumption</td><td rowspan="2">AOD limit - this is to be used for the 2 days in which the account is simultaneously in unarranged and arranged overdraft. In this example, 2 days.</td><td rowspan="2">Minimum between AOD limit and average overdraft balance - this is to be used for the 3 days in which the account is only in simultaneously in arranged overdraft. In this example, this corresponds to 3 days (=5 AOD days - 2 UAOD days)</td><td>OD balance minus OD limit</td></tr>
<tr><td>>0 (eg 5)</td><td>>0 (eg 2)</td><td><=£X assumption</td><td>£X assumption</td></tr>
</table>

Further:

- Where the average overdraft balance is over the authorised buffers amount, Runpath assumes that all days were over the buffer amount.
- Where the average overdraft balance is zero then Runpath assumed the number of days in overdraft were also zero, even if that contradicts the data on number of overdraft days for that particular month and particular observation.
- Runpath includes the fee and interest charge in the month it occurred, rather than add it at the start of the following month.
- Averages are based on number of days in the specific state of overdraft, not the number of days in a month.
- Runpath has not rebalanced any overdraft charges against the average credit balance.
- Paid and unpaid fees are not included in the overdraft calculations, they are accounted for separately and based on CMA supplied data.
- For Ulster Bank there were no averages supplied, rather end of month overdraft balance. These have been treated as averages to ensure consistency.
- Overdraft fee caps were applied in a monthly manner (ie, even when caps are across several months, Runpath first converted such caps into monthly caps, by splitting the cap amount equally across the relevant months).

Foreign transactions

Runpath has not been provided with foreign transaction values. In order to calculate the cost to the consumer Runpath needs to make the following assumptions to ensure consistency:

- Each debit card transaction is worth £100; and
- Each ATM withdrawal is worth £50.

Runpath only has the number of transactions made for Q4. Runpath will extrapolate these to represent 12 months. As Runpath does not know if the spend was outside Europe or within Europe and there can be different fees depending on region, it has assumed all transactions have occurred in Europe.
Runpath has not rebalanced any foreign transaction charges against the average credit balance.

Paid/unpaid fees

The CMA asked the banks to provide data on paid/unpaid items charges per product so as to calculate the average paid and unpaid items charges per account on each product[5] in 2015 (year value).

While the paid item charges are applied to accounts in unarranged overdraft only, the CMA recognises that unpaid item charges can be applied to accounts in any of the following situations:

- When one has no overdraft whatsoever and the bank chooses not to make a payment as it would bring down the account's credit below zero;
- When one has an arranged overdraft and the bank chooses not to make a payment that would surpass the arranged overdraft limit instead of allowing the account to fall into unarranged overdraft; or
- When one is in unarranged overdraft and the bank chooses not to make a further payment.

The average paid/unpaid items charges will be applied by Runpath only to people who are in an unauthorised overdraft, as determined by columns a58 to a69, potentially leading to an underestimation of the total unpaid charges, given that this assumes that the only accounts incurring unpaid charges are those in unarranged overdraft.

For details on paid/unpaid items charges allocation please refer to Appendix 1.

Rebalancing

Runpath does not do credit balance rebalancing, as the data corresponds to averages rather than day-by-day transactions. Rebalancing means adding to the average credit balance the increase/decrease that would normally occur from interest and charges as these are incurred.

[5] Averages were calculated based on total amount of paid/unpaid items charged in each product during 2015 divided by the number of active accounts on each product in 2015.

Appendix 1

Paid, unpaid and cashback values – allocation

Runpath needs to be able to allocate paid/unpaid charges to the products in the samples and to products currently in the market.

The CMA has provided Runpath with two tables, including cashback values and paid/unpaid item charges values, to be allocated per product.

Steps taken to allocate values:

- Match the names of the accounts in the samples with the product names in the tables CMA provided.
- Assign the corresponding value. If there is more than one individual on-sale PCA product name in the tables that Runpath sees as corresponding to the non-incumbent product for which it is trying to assign the values, Runpath should calculate a **weighted[6] average based ONLY on those specific on-sale products stated in the table(s)** that Runpath believes as corresponding to the non-incumbent product.
- If there are PCAs not stated in the table(s), assume values are zero.
- Ignore all other values for products that are shown in the tables but that are not on-sale PCAs or legacy PCAs stated in the samples.

Note the difference in calculations: If the observation corresponds to a legacy account, the product to look for in the tables depends on the calculation:

- Calculation 1 – legacy PCA
- Calculation 2 – oldest on sale PCA
- Calculation 3 – on sale PCAs (or oldest on sale PCA, in case of legacy observations)
- Calculation 4 - on sale PCAs

[6] Based on the volumes of accounts of the respective products in the 11,677 sample.

Appendix 2

Benefits Valuations

How were the values arrived at?

It should be noted that Runpath are not experts in the valuation of benefits offered by current account providers. The CMA asked Runpath to provide some example figures. Runpath provided the figures and the CMA approved them.

The figures were based on a short survey of prices being offered by online sites for specific circumstances, which were then rounded to the nearest £10. These figures have been reviewed by Runpath in January 2016 and some amendments were made.

The final values are set out below:

Prices from January 2016

Gadget insurance

Based on: iPhone 6 16GB theft and loss cover

Protect Your Bubble	£	8.49
Gadget-cover.com	£	6.99
Switched on insurance	£	7.00
Trusted Insurances	£	6.75
Monthly Average	**£**	**87.69**
Rounded and multiplied	**£**	**90.00**

Breakdown insurance

Based on: Roadside assist, home start, national recovery, vehicle not person

Green Flag	£	60.00
RAC	£	107.99
AA	£	100.00
Annual Average	**£**	**89.93**
Rounded	**£**	**90.00**

Travel Insurance

Based on: annual multi trip, no medical conditions, Europe, no winter sports or cruise cover, family, age 25-50 (main traveller), included baggage, cancellation and medical

Insure & Go	£	42.99
Cheaper Travel Insurance	£	42.60
Thomas Cook	£	45.53
Argos	£	49.61
Virgin Money	£	53.74
Annual Average	**£**	**46.89**
Rounded	**£**	**50.00**

Home emergency cover

Based on: combined policy - plumbing, drains, heating

Homeserve	£ 114.00
Surewise	£ 47.88
Direct Line Response	£ 84.00
British Gas	£ 183.00
Cover Cloud	£ 83.40
24/7 home rescue	£ 192.00
Annual Average	**£ 117.38**
Rounded	**£ 120.00**

Appliance warranty insurance/ Shopping Protection

Based on: Min of 3 appliances covered.

Kapput Appliance Insurance	£ 163.08
YourBudget.cover	£ 113.04
Surewise	£ 155.88
Annual Average	**£ 144.00**
Rounded	**£ 140.00**

Runpath

Product benefit value exceptions breakdown

[✂]

---Ends --

Appendix 3: Estimated average prices

Methodology

1. The analysis of average prices was conducted on the 10,995 sample and undertaken separately for GB and NI.

2. We calculated average product prices (£ per month) by doing a simple average of that product price for all observations in the sample which were eligible for each product.

3. Average brand and group level prices were obtained from product level prices by calculating a weighted[1] average price based on the customer mix by product for each brand/group, using data from the transactions dataset.

4. The results presented in this appendix use customer segmentation 1 and the £100 unarranged overdraft assumption.[2] We comment on results for customer segmentation 2 and the £20 unarranged overdraft assumption in the section on sensitivities.

5. In this appendix, we focus on average prices as calculated when including the switching incentives averaged across 5 years, with benefits. As explained in Appendix 2, because of an error in the way Runpath had calculated Y5, we corrected for this in this analysis by constructing a 5 yearly monthly average price as follows:

$$\frac{12 * Y1 + 48 * M}{60}$$

6. We present results for:

   (a) Standard/Reward products, including benefits, GB.

   (b) Standard/Reward products, excluding benefits, GB.

   (c) Packaged products, including benefits, GB.

   (d) Standard/Reward products, including benefits, NI.

   (e) Packaged products, including benefits, NI.

[1] When obtaining a particular brand/group price, we assigned equal weights to the products of such brands/groups that were not included in the transactions dataset for the particular region being analysed and for the particular product type being analysed.
[2] See Appendix 2 Annex B (Data and Assumptions) for more details.

7. We present detailed results by product only for Standard/Reward products, including benefits, Great Britain. For the other categories, we present here the main results being average prices by product and average prices by group.

Notes on interpretation of results

8. Our estimates of average prices need to be interpreted carefully for the following reasons:

(a) Our estimates of average prices are based on a current market snapshot, and do not take into account changes through time in customer behaviour or bank prices.

(b) We used transaction dataset to do a weighted average of product prices in order to obtain brand-level and group-level average prices. However, because the product names of legacy accounts will have been matched to oldest on-sale PCA observations, the relative weight of the oldest on-sale PCA price in the overall brand and group level prices will be higher compared to that for brand and group level prices calculated without legacy account matching to oldest on-sale PCA, ie, we might be overestimating product share for those oldest on-sale PCA products.

(c) Also, given that we obtain the average time held[3] for each product from the transactions dataset and that there are matches to oldest on-sale PCA for legacy accounts, it might be that we are biasing time held for those oldest on sale PCA products.

Standard/Reward products, including benefits, Great Britain

Average product prices

Based on account eligibility across the market

9. The table below shows average prices across customer segments based on number of direct debits (DD) and payments into the account.[4]

[3] We obtained average time held of each product from the transactions dataset by using the date the account was opened up and assuming the product was held by the customer up to end of 2014. We did not take into account in the average time held of each product observations in the transactions dataset for which the year the account was opened was smaller than the respective customer's date of birth. Also, because the transactions dataset does not include information on Tesco Bank and Post Office for GB, we have assumed the average time held for Tesco's and Post Office's products were the maximum they could possibly be, 6 months and 19 months, respectively. This corresponds to the maximum time the product could be held up to the end of 2014 as Tesco Bank launched in June 2014 and Post Office May 2013.

[4] For more details on customer segmentation please refer to the "Segmentation" sub-section of Appendix 2 Annex B (Data and Assumptions).

10. Looking across the customer segments for the same product, there is some variation in average prices, but these differences are not usually substantial, with the exception of [✂] and [✂].

11. Within each customer segment at the same brand, we see that average product prices vary substantially for different products.

Table 1: Average prices by product and segment

£ per month

Y5		*Customer segment*								
Brand	*Product*	*Less than £500*	*£1000 to less than £1500*	*£1750 or more*	*Less than 2 DDs & £500 to less than £750*	*Less than 2 DDs & £750 to less than £1000*	*Less than 2 DDs & £1500 to less than £1750*	*2+ DDs & £500 to less than £750*	*2+ DDs & £750 to less than £1000*	*2+ DDs & £1500 to less than £1750*
Lloyds Bank	Lloyds Bank Classic Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Lloyds Bank	Lloyds Bank Club Lloyds Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	Halifax Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	Halifax Current Account with Control	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	Halifax Reward Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Bank of Scotland	Bank of Scotland Classic Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Bank of Scotland	Bank of Scotland Classic Account with Control	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Bank of Scotland	Bank of Scotland Classic Account with Vantage	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
NatWest	NatWest Reward Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
NatWest	NatWest Select Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Royal Bank of Scotland	Royal Bank of Scotland Reward Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Royal Bank of Scotland	Royal Bank of Scotland Select Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	Barclays Bank Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	Barclays Bank Account - with Control	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	Barclays Bank Account with Blue Rewards	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	Barclays Premier Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	Barclays Premier Current Account - with Control	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	HSBC Advance Bank Account (New)	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	HSBC Bank Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	HSBC Bank Account Pay Monthly	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	HSBC Premier Bank Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Direct	First Direct 1st Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

M&S Bank	M&S Bank Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
M&S Bank	M&S Bank Premium Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	Santander 1|2|3 Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	Santander Choice Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	Santander Everyday Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide BS	Nationwide BS FlexAccount	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide BS	Nationwide BS FlexDirect Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	TSB Classic Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	TSB Classic Current Account - with Control	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	TSB Classic Plus Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	TSB Classic Plus Account - with Control	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Clydesdale Bank	Clydesdale Bank Current Account Control	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Clydesdale Bank	Clydesdale Bank Current Account Direct	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Clydesdale Bank	Clydesdale Bank Current Account Plus	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Yorkshire Bank	Yorkshire Bank Current Account Control	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Yorkshire Bank	Yorkshire Bank Current Account Direct	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Yorkshire Bank	Yorkshire Bank Current Account Plus - 16 and over	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
smile	smile Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
The Co-operative Bank	The Co-operative Bank Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Metro Bank	Metro Bank Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Post Office	Post Office Standard Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Tesco Bank	Tesco Bank Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA analysis on Runpath price outputs.

Based on average credit balance and average number of days in overdraft

12. The table below shows the average prices across customer segments based on average credit balance and average number of days in overdraft.[5]

13. In general, product average prices are higher for those customers in overdraft in comparison to those in credit. In particular, product average prices are higher the more average days in overdraft the customers were. For some products ([✂]), we see that prices are lower the higher the average credit balance, although there is no general trend.

[5] For more details on customer segmentation please refer to the "Segmentation" sub-section of Appendix 2 Annex B (Data and Assumptions).

Table 2: Average prices by product and segment

£ per month

Y5		*Characteristics*											
Brand	*Product*	*15+ days in overdraft*	*8 to 14 days in overdraft*	*4 to 7 days in overdraft*	*1 to 3 day(s) in overdraft*	*Less than £500, no overdraft*	*£500 to less than £2000, no overdraft*	*£2000 to less than £3000, no overdraft*	*£3000 to less than £5000, no overdraft*	*£5000 to less than £7500, no overdraft*	*£7500 to less than £10000, no overdraft*	*£10000 to less than £20000, no overdraft*	*£20000 or more, no overdraft*
Lloyds Bank	Lloyds Bank Classic Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Lloyds Bank	Lloyds Bank Club Lloyds Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	Halifax Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	Halifax Current Account with Control	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	Halifax Reward Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Bank of Scotland	Bank of Scotland Classic Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Bank of Scotland	Bank of Scotland Classic Account with Control	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Bank of Scotland	Bank of Scotland Classic Account with Vantage	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
NatWest	NatWest Reward Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
NatWest	NatWest Select Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Royal Bank of Scotland	Royal Bank of Scotland Reward Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Royal Bank of Scotland	Royal Bank of Scotland Select Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	Barclays Bank Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	Barclays Bank Account - with Control	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	Barclays Bank Account with Blue Rewards	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Barclays	Barclays Premier Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	Barclays Premier Current Account - with Control	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	HSBC Advance Bank Account (New)	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	HSBC Bank Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	HSBC Bank Account Pay Monthly	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	HSBC Premier Bank Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Direct	First Direct 1st Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
M&S Bank	M&S Bank Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
M&S Bank	M&S Bank Premium Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	Santander 1|2|3 Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	Santander Choice Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	Santander Everyday Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide BS	Nationwide BS FlexAccount	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide BS	Nationwide BS FlexDirect Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	TSB Classic Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	TSB Classic Current Account - with Control	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	TSB Classic Plus Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	TSB Classic Plus Account - with Control	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Clydesdale Bank	Clydesdale Bank Current Account Control	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Clydesdale Bank	Clydesdale Bank Current Account Direct	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Clydesdale Bank	Clydesdale Bank Current Account Plus	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Yorkshire Bank	Yorkshire Bank Current Account Control	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Yorkshire Bank	Yorkshire Bank Current Account Direct	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Yorkshire Bank	Yorkshire Bank Current Account Plus - 16 and over	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
smile	smile Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
The Co-operative Bank	The Co-operative Bank Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Metro Bank	Metro Bank Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Post Office	Post Office Standard Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Tesco Bank	Tesco Bank Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA analysis on Runpath price outputs.

Based on overdraft and overall product price

14. The table below shows average price estimates segmented by whether customers have used their overdraft or not throughout the year.[6]

15. On average, product prices are higher for those in overdraft compared to those that did not use their overdraft.

16. The table also shows that average prices for control accounts tend to be higher than for other accounts; the difference in price is particularly high for non-overdraft users.

[6] For more details on customer segmentation please refer to the “Segmentation” sub-section of Appendix 2 Annex B (Data and Assumptions).

Table 3: Average prices by product and overdraft use

£ per month

Y5		*Overdraft usage*		
Brand	*Product*	*Overdraft user*	*Non-overdraft user*	*Product price*
Lloyds Bank	Lloyds Bank Classic Account	16.04	0.42	7.22
Lloyds Bank	Lloyds Bank Club Lloyds Current Account	11.55	-7.30	0.91
Halifax	Halifax Current Account	11.06	-1.07	4.21
Halifax	Halifax Current Account with Control	16.69	8.74	12.20
Halifax	Halifax Reward Current Account	11.20	-1.07	4.27
Bank of Scotland	Bank of Scotland Classic Account	12.97	0.43	5.89
Bank of Scotland	Bank of Scotland Classic Account with Control	15.96	10.43	12.05
Bank of Scotland	Bank of Scotland Classic Account with Vantage	11.60	-4.61	3.03
NatWest	NatWest Reward Account	13.31	3.31	7.67
NatWest	NatWest Select Account	11.09	0.28	4.99
Royal Bank of Scotland	Royal Bank of Scotland Reward Account	10.04	3.53	6.32
Royal Bank of Scotland	Royal Bank of Scotland Select Current Account	11.09	0.29	4.99
Barclays	Barclays Bank Account	10.73	0.39	4.89
Barclays	Barclays Bank Account - with Control	14.63	8.39	10.21
Barclays	Barclays Bank Account with Blue Rewards	13.73	3.39	7.89
Barclays	Barclays Premier Current Account	10.29	1.89	6.55
Barclays	Barclays Premier Current Account - with Control	14.63	9.89	11.93
HSBC	HSBC Advance Bank Account (New)	6.70	0.49	3.65
HSBC	HSBC Bank Account	6.79	0.35	3.25
HSBC	HSBC Bank Account Pay Monthly	13.20	10.35	11.24
HSBC	HSBC Premier Bank Account	0.92	-2.49	-0.76
First Direct	First Direct 1st Account	6.57	0.53	3.16
M&S Bank	M&S Bank Current Account	-11.60	-13.94	-12.92
M&S Bank	M&S Bank Premium Current Account	-2.09	-4.67	-3.54
Santander	Santander 1|2|3 Current Account	9.54	-7.72	0.07
Santander	Santander Choice Current Account	14.79	10.38	11.67
Santander	Santander Everyday Current Account	14.63	0.38	6.59
Nationwide BS	Nationwide BS FlexAccount	4.49	-3.91	-0.25
Nationwide BS	Nationwide BS FlexDirect Account	6.60	-1.85	2.14
TSB	TSB Classic Current Account	16.06	0.43	7.24
TSB	TSB Classic Current Account - with Control	15.27	10.43	12.54
TSB	TSB Classic Plus Account	9.19	-4.38	1.74
TSB	TSB Classic Plus Account - with Control	11.75	5.40	8.26
Clydesdale Bank	Clydesdale Bank Current Account Control	11.08	5.35	7.03
Clydesdale Bank	Clydesdale Bank Current Account Direct	-	-	-
Clydesdale Bank	Clydesdale Bank Current Account Plus	9.87	-2.15	3.09
Yorkshire Bank	Yorkshire Bank Current Account Control	11.10	5.37	7.04
Yorkshire Bank	Yorkshire Bank Current Account Direct	-	-	-
Yorkshire Bank	Yorkshire Bank Current Account Plus - 16 and over	9.89	-2.13	3.10
smile	smile Current Account	10.53	-1.40	3.80
The Co-operative Bank	The Co-operative Bank Current Account	10.72	-1.32	3.92
Metro Bank	Metro Bank Current Account	3.70	0.00	1.61
Post Office	Post Office Standard Account	2.85	0.36	1.44
Tesco Bank	Tesco Bank Current Account	2.33	-3.39	-0.90

Source: CMA analysis on Runpath price outputs.

Average brand prices

Based on account eligibility across the market

17. The table below shows average prices across customer segments based on number of direct debits (DD) and payments into the account.[7]

[7] For more details on customer segmentation please refer to the "Segmentation" sub-section of Appendix 2 Annex B (Data and Assumptions).

18. In general, brands with larger market shares have higher average prices than brands with the lower market share. There is little variation across segments, with some exceptions ([✂]).

Table 4: Average prices by brand and segment

£ per month

Y5	*Customer segment*								
Brand	*Less than £500*	*£1000 to less than £1500*	*£1750 or more*	*Less than 2 DDs & £500 to less than £750*	*Less than 2 DDs & £750 to less than £1000*	*Less than 2 DDs & £1500 to less than £1750*	*2+ DDs & £500 to less than £750*	*2+ DDs & £750 to less than £1000*	*2+ DDs & £1500 to less than £1750*
Lloyds Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Bank of Scotland	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
NatWest	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Royal Bank of Scotland	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Direct	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
M&S Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide BS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Clydesdale Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Yorkshire Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
smile	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
The Co-operative Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Metro Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Post Office	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Tesco Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA analysis on Runpath price outputs.

Based on average credit balance and average number of days in overdraft

19. The table below shows the average prices across customer segments based on average credit balance and average number of days in overdraft.[8]

20. The pattern is as before when looking at individual product average prices: in general, brand average prices are higher for those customers in overdraft in comparison to those in credit; brand average prices are higher the more average days in overdraft the customers were; and average prices are lower the higher the average credit balance for some brands.

[8] For more details on customer segmentation please refer to the "Segmentation" sub-section of Appendix 2 Annex B (Data and Assumptions).

Table 5: Average prices by brand and segment

£ per month

Y5	*Characteristics*											
Brand	*15+ days in overdraft*	*8 to 14 days in overdraft*	*4 to 7 days in overdraft*	*1 to 3 day(s) in overdraft*	*Less than £500, no overdraft*	*£500 to less than £2000, no overdraft*	*£2000 to less than £3000, no overdraft*	*£3000 to less than £5000, no overdraft*	*£5000 to less than £7500, no overdraft*	*£7500 to less than £10000, no overdraft*	*£10000 to less than £20000, no overdraft*	*£20000 or more, no overdraft*
Lloyds Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Bank of Scotland	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
NatWest	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Royal Bank of Scotland	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBC	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
First Direct	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
M&S Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide BS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Clydesdale Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Yorkshire Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
smile	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
The Co-operative Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Metro Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Post Office	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Tesco Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA analysis on Runpath price outputs.

Based on overdraft and overall product price

21. The table below shows average prices estimates depending on whether customers have used their overdraft or not throughout the year.[9]

22. On average, brand prices are higher for those in overdraft compared to those that did not use their overdraft.

Table 6: Average prices by brand overdraft use

£ per month

Y5	*Overdraft usage*		
Brand	*Overdraft user*	*Non-overdraft user*	*Brand price*
Lloyds Bank	15.87	-0.39	6.74
Halifax	11.12	-1.07	4.24
Bank of Scotland	12.90	-0.12	5.66
NatWest	11.09	0.28	4.99
Royal Bank of Scotland	11.09	0.29	4.99
Barclays	10.69	0.45	5.00
HSBC	6.32	0.06	2.95
First Direct	6.57	0.53	3.16
M&S Bank	-7.45	-7.58	-6.96
Santander	13.19	-4.11	3.61
Nationwide BS	4.67	-3.68	0.00
TSB	16.06	0.43	7.24
Clydesdale Bank	9.90	-2.14	3.12
Yorkshire Bank	9.93	-2.12	3.14
smile	10.53	-1.40	3.80
The Co-operative Bank	10.72	-1.32	3.92
Metro Bank	3.70	0.00	1.61
Post Office	2.85	0.36	1.44
Tesco Bank	2.33	-3.39	-0.90

Source: CMA analysis on Runpath price outputs.

Average group prices

Based on account eligibility across the market

23. The table below shows average prices across customer segments based on number of direct debits (DD) and payments into the account.[10]

24. In general, groups with larger market shares have larger average prices than groups with the lower market share. There does not seem to be large

[9] For more details on customer segmentation please refer to the "Segmentation" sub-section of Appendix 2 Annex B (Data and Assumptions).
[10] For more details on customer segmentation please refer to the "Segmentation" sub-section of Appendix 2 Annex B (Data and Assumptions).

differences in average prices across segments within a group, with the exception of [✂].

Table 7: Average prices by group and segment

£ per month

Y5	*Customer segment*								
Group	*Less than £500*	*£1000 to less than £1500*	*£1750 or more*	*Less than 2 DDs & £500 to less than £750*	*Less than 2 DDs & £750 to less than £1000*	*Less than 2 DDs & £1500 to less than £1750*	*2+ DDs & £500 to less than £750*	*2+ DDs & £750 to less than £1000*	*2+ DDs & £1500 to less than £1750*
LBG	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
RBSG	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBCG	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide BS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Clydesdale	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
The Co-operative	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Metro Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Post Office	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Tesco Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA analysis on Runpath price outputs.

Based on average credit balance and average number of days in overdraft

25. The table below shows the average prices across customer segments based on average credit balance and average number of days in overdraft.[11]

26. The pattern is as before when looking at individual product average prices and brand average prices: in general, group average prices are higher for those customers in overdraft in comparison to those in credit; group average prices are higher the more average days in overdraft the customers are; and average prices are lower the higher the average credit balance for some banking groups.

[11] For more details on customer segmentation please refer to the "Segmentation" sub-section of Appendix 2 Annex B (Data and Assumptions).

Table 8: Average prices by group and segment

£ per month

Y5	*Characteristics*											
Group	*15+ days in od*	*8 to 14 days in od*	*4 to 7 days in od*	*1 to 3 day(s) in od*	*Less than £500, no od*	*£500 to less than £2000, no od*	*£2000 to less than £3000, no od*	*£3000 to less than £5000, no od*	*£5000 to less than £7500, no od*	*£7500 to less than £10000, no od*	*£10000 to less than £20000, no od*	*£20000 or more, no od*
LBG	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
RBSG	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
HSBCG	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide BS	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
TSB	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Clydesdale	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
The Co-operative	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Metro Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Post Office	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Tesco Bank	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA analysis on Runpath price outputs.

Based on overdraft and overall product price

27. The table below shows average price estimates depending on whether customers use their overdraft or not throughout the year.[12]

28. On average, group prices are higher for those in overdraft compared to those that did not use their overdraft.

Table 9: Average prices by group and overdraft use

Y5	*Overdraft usage*		*£ per month*
Group	*Overdraft user*	*Non-overdraft user*	*Group price*
LBG	14.11	-0.58	5.85
RBSG	11.09	0.28	4.99
Barclays	10.69	0.45	5.00
HSBCG	6.34	0.09	2.94
Santander	13.19	-4.11	3.61
Nationwide BS	4.67	-3.68	0.00
TSB	16.06	0.43	7.24
Clydesdale	10.01	-1.93	3.29
The Co-operative	10.68	-1.33	3.90
Metro Bank	3.70	0.00	1.61
Post Office	2.85	0.36	1.44
Tesco Bank	2.33	-3.39	-0.90

Source: CMA analysis on Runpath price outputs.

Sensitivities

Alternative assumption on customer segmentation

29. The results presented so far use customer segmentation 1.[13]

30. The table below shows average prices by group under customer segmentation 2 (which assumes the number of direct debits of each observation to be half of that in customer segmentation 1).[14] We do not find that the results materially differ across the two segmentations.

[12] For more details on customer segmentation please refer to the "Segmentation" sub-section of Appendix 2 Annex B (Data and Assumptions).
[13] See Appendix 2 for details on customer segmentation definitions.
[14] While keeping the unarranged overdraft assumption of £100 constant.

Table 10: Average prices by group under customer segmentation 2

	£ per month
Y5	
Group	*Group price*
LBG	5.85
RBSG	4.99
Barclays	5.00
HSBCG	2.94
Santander	3.61
Nationwide BS	0.00
TSB	7.24
Clydesdale	3.29
The Co-operative	3.90
Metro Bank	1.61
Post Office	1.44
Tesco Bank	-0.90

Source: CMA analysis on Runpath price outputs.

Alternative assumptions on unarranged overdraft balance

31. The transactions dataset does not include the amount by which customers went into their unarranged overdraft, only the number of days they used an unarranged overdraft and the total overdraft amount (including arranged and unarranged overdrafts).

32. Therefore, Runpath conducted their analysis assuming that customers who went into unarranged overdraft did so by at least £100. To check for the sensitivity of the analysis to this assumption, we have also conducted analysis assuming that customers who used unarranged overdrafts did so by only £20.[15]

33. We can see only very slight differences in average group prices under this sensitivity compared to the standard analysis.

[15] While keeping the customer segmentation definition constant.

Table 11: Average prices by group under £20 unarranged overdraft assumption

	£ per month
Y5	
Group	*Group price*
LBG	[✂]
RBSG	[✂]
Barclays	[✂]
HSBCG	[✂]
Santander	[✂]
Nationwide BS	[✂]
TSB	[✂]
Clydesdale	[✂]
The Co-operative	[✂]
Metro Bank	[✂]
Post Office	[✂]
Tesco Bank	[✂]

Source: CMA analysis on Runpath price outputs.

Standard/Reward products, excluding benefits, Great Britain

34. The tables below show prices excluding benefits. We find these are generally relatively comparable to those including benefits, such that the same general patterns emerge.

Average product prices

Table 12: Average prices by product and overdraft use

£ per month

Y5		*Overdraft usage*		
Brand	*Product*	*Overdraft user*	*Non-overdraft user*	*Product price*
Lloyds Bank	Lloyds Bank Classic Account	16.04	0.42	7.22
Lloyds Bank	Lloyds Bank Club Lloyds Current Account	16.49	-2.36	5.85
Halifax	Halifax Current Account	11.06	-1.07	4.21
Halifax	Halifax Current Account with Control	16.69	8.74	12.20
Halifax	Halifax Reward Current Account	11.20	-1.07	4.27
Bank of Scotland	Bank of Scotland Classic Account	12.97	0.43	5.89
Bank of Scotland	Bank of Scotland Classic Account with Control	15.96	10.43	12.05
Bank of Scotland	Bank of Scotland Classic Account with Vantage	11.60	-4.61	3.03
NatWest	NatWest Reward Account	13.31	3.31	7.67
NatWest	NatWest Select Account	11.09	0.28	4.99
Royal Bank of Scotland	Royal Bank of Scotland Reward Account	10.04	3.53	6.32
Royal Bank of Scotland	Royal Bank of Scotland Select Current Account	11.09	0.29	4.99
Barclays	Barclays Bank Account	10.73	0.39	4.89
Barclays	Barclays Bank Account - with Control	14.63	8.39	10.21
Barclays	Barclays Bank Account with Blue Rewards	13.73	3.39	7.89
Barclays	Barclays Premier Current Account	10.29	1.89	6.55
Barclays	Barclays Premier Current Account - with Control	14.63	9.89	11.93
HSBC	HSBC Advance Bank Account (New)	6.70	0.49	3.65
HSBC	HSBC Bank Account	6.79	0.35	3.25
HSBC	HSBC Bank Account Pay Monthly	13.20	10.35	11.24
HSBC	HSBC Premier Bank Account	5.09	1.68	3.41
First Direct	First Direct 1st Account	6.57	0.53	3.16
M&S Bank	M&S Bank Current Account	0.90	-1.44	-0.42
M&S Bank	M&S Bank Premium Current Account	10.41	7.83	8.96
Santander	Santander 1|2|3 Current Account	9.54	-7.72	0.07
Santander	Santander Choice Current Account	14.79	10.38	11.67
Santander	Santander Everyday Current Account	14.63	0.38	6.59
Nationwide BS	Nationwide BS FlexAccount	8.66	0.26	3.92
Nationwide BS	Nationwide BS FlexDirect Account	6.60	-1.85	2.14
TSB	TSB Classic Current Account	16.06	0.43	7.24
TSB	TSB Classic Current Account - with Control	15.27	10.43	12.54
TSB	TSB Classic Plus Account	9.19	-4.38	1.74
TSB	TSB Classic Plus Account - with Control	11.75	5.40	8.26
Clydesdale Bank	Clydesdale Bank Current Account Control	11.08	5.35	7.03
Clydesdale Bank	Clydesdale Bank Current Account Direct	-	-	-
Clydesdale Bank	Clydesdale Bank Current Account Plus	9.87	-2.15	3.09
Yorkshire Bank	Yorkshire Bank Current Account Control	11.10	5.37	7.04
Yorkshire Bank	Yorkshire Bank Current Account Direct	-	-	-
Yorkshire Bank	Yorkshire Bank Current Account Plus - 16 and over	9.89	-2.13	3.10
smile	smile Current Account	10.53	-1.40	3.80
The Co-operative Bank	The Co-operative Bank Current Account	10.72	-1.32	3.92
Metro Bank	Metro Bank Current Account	3.70	0.00	1.61
Post Office	Post Office Standard Account	2.85	0.36	1.44
Tesco Bank	Tesco Bank Current Account	2.33	-3.39	-0.90

Source: CMA analysis on Runpath price outputs.

Average group prices

Table 13: Average prices by group and overdraft use

£ per month

Y5	*Overdraft usage*		
Group	*Overdraft user*	*Non-overdraft user*	*Group price*
LBG	14.22	-0.28	6.07
RBSG	11.09	0.28	4.99
Barclays	10.69	0.45	5.00
HSBCG	6.63	0.54	3.31
Santander	13.19	-4.11	3.61
Nationwide BS	8.49	0.02	3.73
TSB	16.06	0.43	7.24
Clydesdale	10.01	-1.93	3.29
The Co-operative	10.68	-1.33	3.90
Metro Bank	3.70	0.00	1.61
Post Office	2.85	0.36	1.44
Tesco Bank	2.33	-3.39	-0.90

Source: CMA analysis on Runpath price outputs.

Packaged products, including benefits, Great Britain

Table 14: Average prices by product and overdraft use

£ per month

Y5		*Overdraft usage*		
Brand	*Product*	*Overdraft user*	*Non-overdraft user*	*Product price*
Lloyds Bank	Lloyds Bank Club Lloyds Platinum Account	8.28	-8.07	2.74
Lloyds Bank	Lloyds Bank Club Lloyds Silver Account	3.74	-14.91	-2.58
Lloyds Bank	Lloyds Bank Platinum Account	9.76	-3.31	5.33
Lloyds Bank	Lloyds Bank Silver Account	12.37	-2.72	7.26
Halifax	Halifax Ultimate Reward Current Account 2	-7.00	-20.00	-11.40
Bank of Scotland	Bank of Scotland Platinum Account	5.43	-3.31	2.47
Bank of Scotland	Bank of Scotland Platinum Account with Vantage	3.98	-7.52	0.13
Bank of Scotland	Bank of Scotland Silver Account	10.74	-2.72	6.18
Bank of Scotland	Bank of Scotland Silver Account with Vantage	9.06	-6.91	3.72
NatWest	NatWest Reward Black Account	-58.36	-75.42	-64.05
NatWest	NatWest Reward Platinum Account	-27.24	-39.02	-31.23
NatWest	NatWest Reward Silver Account	12.61	0.81	8.61
Royal Bank of Scotland	Royal Bank of Scotland Black Account	20.42	4.24	15.03
Royal Bank of Scotland	Royal Bank of Scotland Reward Black Account	-	-	-
Royal Bank of Scotland	Royal Bank of Scotland Reward Platinum Account	-33.93	-39.55	-36.34
Royal Bank of Scotland	Royal Bank of Scotland Reward Silver Account	9.01	1.50	5.79
First Direct	First Direct 1st Account - with First Directory	0.16	-5.18	-1.65
Nationwide BS	Nationwide BS FlexPlus Account	-17.02	-27.33	-20.52
TSB	TSB Platinum Account	-0.49	-7.17	-2.76
TSB	TSB Silver Added Value Account	11.33	-2.74	6.56
Clydesdale Bank	Clydesdale Bank Signature Current Account	-20.43	-32.34	-24.47
Yorkshire Bank	Yorkshire Bank Signature Current Account	4.46	-7.52	0.40
Post Office	Post Office Packaged Account	-0.13	-2.99	-1.10

Source: CMA analysis on Runpath price outputs.

Table 15: Average prices by group and overdraft use

£ per month

Y5	*Overdraft usage*		
Group	*Overdraft user*	*Non-overdraft user*	*Group price*
LBG	-0.72	-11.81	-4.62
RBSG	-18.94	-31.41	-23.19
HSBCG	0.16	-5.18	-1.65
Nationwide BS	-17.02	-27.33	-20.52
TSB	11.33	-2.74	6.56
Clydesdale	-5.37	-20.09	-10.73
Post Office	-0.13	-2.99	-1.10

Source: CMA analysis on Runpath price outputs.

Standard/Reward products, including benefits, Northern Ireland

Table 16: Average prices by product and overdraft use

£ per month

Y5		*Overdraft usage*		
Brand	*Product*	*Overdraft user*	*Non-overdraft user*	*Product price*
Ulster Bank	Ulster Bank Private Current Account	15.46	14.91	15.18
Ulster Bank	Ulster Bank Standard Current Account	2.81	0.20	1.16
NatWest	NatWest Reward Account	7.89	3.17	4.90
NatWest	NatWest Select Account	5.41	0.14	2.07
Royal Bank of Scotland	Royal Bank of Scotland Reward Account	-	-	-
Royal Bank of Scotland	Royal Bank of Scotland Select Current Account	5.45	0.15	2.09
Danske Bank	Danske Bank Danske Choice	10.22	0.23	3.88
Danske Bank	Danske Bank Danske Freedom	4.70	0.23	1.86
Santander	Santander 1|2|3 Current Account	5.46	-4.05	-0.30
Santander	Santander Choice Current Account	11.65	10.21	10.62
Santander	Santander Everyday Current Account	8.00	0.21	3.06
First Trust Bank (NI)	First Trust Bank (NI) Classic Account	10.90	0.17	4.09
First Trust Bank (NI)	First Trust Bank (NI) Plus Account	10.70	0.19	4.75
Halifax	Halifax Current Account	4.90	-1.31	0.96
Halifax	Halifax Current Account - with Control	12.49	8.50	9.96
Halifax	Halifax Reward Current Account	5.00	-1.31	1.00
Lloyds Bank	Lloyds Bank Classic Account	8.37	0.22	3.20
Lloyds Bank	Lloyds Bank Club Lloyds Current Account	4.86	-4.37	-0.99
Bank of Scotland	Bank of Scotland Classic Account	6.59	0.23	2.56
Bank of Scotland	Bank of Scotland Classic Account with Control	12.14	10.23	10.78
Bank of Scotland	Bank of Scotland Classic Account with Vantage	5.79	-2.21	1.20
Post Office	Post Office Standard Account	1.28	0.19	0.59
Nationwide BS	Nationwide BS FlexAccount	0.89	-4.03	-2.23
Nationwide BS	Nationwide BS FlexDirect Account	3.56	-0.84	1.04
Barclays	Barclays Bank Account	5.36	0.21	2.09
Barclays	Barclays Bank Account - with Control	10.21	8.21	8.77
Barclays	Barclays Bank Account with Blue Rewards	8.36	3.21	5.09
Barclays	Barclays Premier Current Account	0.53	-0.01	0.26
Barclays	Barclays Premier Current Account - with Control	8.53	7.99	8.26
smile	smile Current Account	5.34	-1.52	0.99
The Co-operative Bank	The Co-operative Bank Current Account	5.46	-1.49	1.05
HSBC	HSBC Advance Bank Account (New)	2.84	0.22	1.46
HSBC	HSBC Bank Account	2.91	0.19	1.26
HSBC	HSBC Bank Account Pay Monthly	11.08	10.19	10.47
HSBC	HSBC Premier Bank Account	-3.71	-4.17	-3.94
First Direct	First Direct 1st Account	3.53	1.72	2.38
M&S Bank	M&S Bank Current Account	-13.10	-14.08	-13.72
M&S Bank	M&S Bank Premium Current Account	-3.78	-4.93	-4.51
TSB	TSB Classic Current Account	8.67	0.23	3.32
TSB	TSB Classic Current Account - with Control	12.79	10.23	11.17
TSB	TSB Classic Plus Account	4.41	-2.02	0.51
TSB	TSB Classic Plus Account - with Control	10.78	7.76	8.95
Clydesdale Bank	Clydesdale Bank Current Account Control	7.19	5.17	5.75
Clydesdale Bank	Clydesdale Bank Current Account Direct	-	-	-
Clydesdale Bank	Clydesdale Bank Current Account Plus	3.80	-2.33	-0.08
Yorkshire Bank	Yorkshire Bank Current Account Control	7.19	5.17	5.75
Yorkshire Bank	Yorkshire Bank Current Account Direct	-	-	-
Yorkshire Bank	Yorkshire Bank Current Account Plus - 16 and over	3.80	-2.33	-0.08
Metro Bank	Metro Bank Current Account	1.92	0.00	0.70
Tesco Bank	Tesco Bank Current Account	1.08	-1.49	-0.55

Source: CMA analysis on Runpath price outputs.

Table 17: Average prices by group and overdraft use

£ per month

Y5 Group	Overdraft usage Overdraft user	Non-overdraft user	Group price
RBSG	2.94	0.20	1.18
Danske Bank	10.22	0.23	3.88
Santander	7.40	-2.02	1.72
First Trust Bank (NI)	10.88	0.17	4.13
LBG	5.13	-1.24	1.09
Post Office	1.28	0.19	0.59
Nationwide BS	1.08	-3.77	-1.97
Barclays	5.31	0.20	2.08
The Co-operative	5.42	-1.50	1.03
HSBCG	2.65	0.02	1.13
TSB	8.67	0.23	3.32
Clydesdale	5.63	1.56	2.98
Metro Bank	1.92	0.00	0.70
Tesco Bank	1.08	-1.49	-0.55

Source: CMA analysis on Runpath price outputs.

Packaged products, including benefits, Northern Ireland

Table 18: Average prices by product and overdraft use

£ per month

Y5 Brand	Product	Overdraft usage Overdraft user	Non-overdraft user	Product price
Ulster Bank	Ulster Bank ufirst Private Current Account	13.33	13.33	13.33
Ulster Bank	Ulster Bank ufirstgold Current Account	-0.44	-1.99	-0.66
NatWest	NatWest Reward Black Account	-73.04	-78.04	-76.37
NatWest	NatWest Reward Platinum Account	-35.04	-39.06	-35.62
NatWest	NatWest Reward Silver Account	4.80	0.77	4.22
Royal Bank of Scotland	Royal Bank of Scotland Black Account	6.62	1.63	3.29
Royal Bank of Scotland	Royal Bank of Scotland Reward Black Account	-	-	-
Royal Bank of Scotland	Royal Bank of Scotland Reward Platinum Account	-	-	-
Royal Bank of Scotland	Royal Bank of Scotland Reward Silver Account	-	-	-
Halifax	Halifax Ultimate Reward Current Account 2	-13.78	-18.56	-14.47
Lloyds Bank	Lloyds Bank Club Lloyds Platinum Account	-0.36	-9.73	-1.70
Lloyds Bank	Lloyds Bank Club Lloyds Silver Account	-6.05	-16.64	-7.56
Lloyds Bank	Lloyds Bank Platinum Account	0.30	-3.35	-0.22
Lloyds Bank	Lloyds Bank Silver Account	1.90	-2.84	1.22
Bank of Scotland	Bank of Scotland Platinum Account	-1.03	-3.35	-1.36
Bank of Scotland	Bank of Scotland Platinum Account with Vantage	-0.84	-7.32	-1.85
Bank of Scotland	Bank of Scotland Silver Account	1.83	-2.84	1.16
Bank of Scotland	Bank of Scotland Silver Account with Vantage	2.04	-6.82	0.65
Post Office	Post Office Packaged Account	-2.54	-2.82	-2.58
Nationwide BS	Nationwide BS FlexPlus Account	-20.91	-26.90	-21.76
First Direct	First Direct 1st Account - with First Directory	-4.22	-5.24	-4.37
TSB	TSB Platinum Account	-5.93	-7.29	-6.12
TSB	TSB Silver Added Value Account	1.74	-3.11	1.04
Clydesdale Bank	Clydesdale Bank Signature Current Account	-28.15	-32.41	-28.76
Yorkshire Bank	Yorkshire Bank Signature Current Account	-3.23	-7.49	-3.84

Source: CMA analysis on Runpath price outputs.

Table 19: Average prices by group and overdraft use

£ per month

Y5	*Overdraft usage*		
Group	*Overdraft user*	*Non-overdraft user*	*Group price*
RBSG	0.07	-0.11	-0.05
LBG	-5.13	-6.96	-4.89
Post Office	-2.54	-2.82	-2.58
Nationwide BS	-20.91	-26.90	-21.76
HSBCG	-4.22	-5.24	-4.37
TSB	1.74	-3.11	1.04
Clydesdale	-15.69	-19.95	-16.30

Source: CMA analysis on Runpath price outputs.

Appendix 4: Comparison of price estimates using aggregated and disaggregated data

Introduction

1. In our pricing analysis we have used aggregated monthly transaction data (henceforth ‘aggregated’ data) to estimate average prices and the gains that consumers could make from switching. LBG has argued that this approach and assumptions will give less accurate and robust results than if we had used more disaggregated transaction data (henceforth ‘disaggregated’ data), because it has required us to make a number of assumptions regarding consumers’ use of PCAs.

2. LBG told us that our approach and use of aggregated data did not materially change our findings on the gains from switching relative to LBG’s suggested approach, in particular the identification of a material number of customers who could make significant gains. However, it submitted that this significantly impacted estimates of average price per provider, and our provisional findings that there was a tendency for larger providers to have higher prices. See Appendix 1 for further details on LBG’s submission.

3. LBG has submitted the results of a number of pieces of analysis based on the use of disaggregated data as well as the underlying data files. LBG’s analysis was based on output from Runpath, which applied a pricing algorithm to disaggregated data for the sample of customers that LBG previously provided us with aggregated data on.

4. In this appendix we review the points raised by LBG and assess how much of an impact our use of aggregated data is likely to have had on our estimates of average prices. We do this as follows:

   (a) We estimate the impact that using aggregated data has had on the accuracy of our estimated average prices by comparing figures obtained using this approach to those obtained using LBG’s disaggregated data.

   (b) We consider the impact that the use of aggregated data will have on our assessments of average prices and outcomes, that is, comparing average prices and market shares, and average prices and length of time account held.

The impact of using aggregated data on estimated average prices at a product level

5. In its submission[1] on our pricing analysis, LBG submitted that estimated prices based on our approach, which included the use of aggregated data, were different than estimated prices using its approach, which included the use of disaggregated data, and that in some cases these had a material impact on the absolute and relative average prices per provider.

6. LBG's verification analysis compared the results of its disaggregated analysis to an earlier version of our analysis. We have since updated our methodology. To understand the extent to which there are differences in prices estimated using aggregated and disaggregated data we have compared the prices based on our latest estimates using aggregated transaction data with prices using disaggregated transaction data.[2]

7. In order to be able to interpret any difference between the two sets of estimated prices, we need to control for other factors that might vary between the two pieces of analyses other than the underlying data. These are set out below.

Methodology

Compounding versus monthly reset

8. An important feature of LBG's approach in estimating prices that differs from our main analysis is that it applied a compounding approach for monthly balances. This means that it added to the credit balance the increase or decrease in interest and charges on a real-time basis. In contrast, our analysis applies a reset approach whereby monthly balances are reset to their average value at the start of each month – we do not rebalance the credit balance with the previous month's interest and charges because the monthly aggregated transaction data already corresponds to the average for each customer account across the period.

9. LBG explained that the compounding approach could lead to what it said were implausible results in some cases in that some of the simulated customer balances developed significant unarranged overdraft balances. LBG told us that there were certain types of customers and products where this tended to

[1] LBG response to PCA pricing analysis.
[2] Our verification analysis focuses on the differences in the estimates of average prices obtained using the forms of data, rather than the distribution of these differences across consumers, as it is these average figures that our analysis focuses on and from which our conclusions are obtained.

occur. First, it was more likely to occur for customers whose balances were close to their arranged overdraft limit or customers with low balances with no arranged overdraft. Second, it was more likely to occur when simulating prices these customers would pay for products with annual/monthly fees because the fees could tip these accounts into increasingly negative unarranged overdraft positions the longer the simulation was run.

10. LBG said that inaccuracies could arise for a wider set of products when estimating prices for an alternative product that was more expensive than customer's current product. For example, if the customer triggered an overdraft charge and subsequently took action to move back within their limit in the actual transaction data, in cases where the simulated alternative product has higher overdraft charges, the customer would still be recorded in the simulated scenario as being in unarranged overdraft because the money the customer deposited would not be enough to offset the higher simulated charge. This could trigger a 'ballooning' negative credit balance.

11. LBG made adjustments to the estimated arranged and unarranged overdraft fees for some products to correct for this effect.[3] For Barclays and NatWest products, it capped unarranged overdraft fees at the unarranged overdraft daily charge multiplied by the number of days spent in unarranged overdraft but ignored applicable charge-free buffers. It also replaced the estimated arranged and unarranged overdraft fees for certain products with the value estimated for similar products by the same provider that had identical fee levels.[4] It did not make adjustments for other price elements such as overdraft interest as it observed that the cumulative impact of interest charges tended to be smaller than that for overdraft fees.

12. We agree with LBG's view that the compounding approach leads in some cases to implausible results. We consider that for some customers the compounding approach will lead to a simulated balance from the disaggregated data that is substantially different from the customer's actual average balance. It would also be substantially different from the simulated balance from the aggregated data which by its nature is reset to the average balance at the beginning of each month. The discrepancy between the simulated and actual average balance from the disaggregated data will increase the longer the simulation is run so the estimated monthly prices over a five-year

[3] LBG response to PCA pricing analysis, Annex 2.
[4] Fees for Barclays Blue Rewards replaced by that for Barclays Bank Account, RBS Reward Account replaced by that for RBS Select Current Account, NatWest Reward Account replaced by that for NatWest Select Account, Halifax Reward Account with that for Halifax Current Account, and Club Lloyds Account with that the Lloyds Bank Classic Account.

simulation will be higher than that for one year depending on the materiality of this ‘ballooning’ effect.

13. We find evidence that the effect is material for around half of the products in LBG’s analysis, ie we observe that the average monthly price excluding switching incentives over five years is substantially higher than one year due to significant increases in unarranged overdraft fees. One-third (33%) of products have an average year 5 price that exceeds year 1 by around 50% to 500% as high, due in almost all cases to increases in unarranged overdraft fees.[5]

14. We recognise that LBG has sought to make manual adjustments to attempt to correct for this. However, our inspection of the data indicates that ballooning of unarranged overdraft balances and associated fees remains an issue across many products despite LBG’s adjustments. We agree with LBG that compounding of unarranged overdraft interest does not materially affect the overall prices.

15. In order to mitigate the issues raised by the compounding approach we only analyse prices at a one-year horizon as these prices would be comparatively less affected than those for a five-year horizon. In addition, we only analyse the products that LBG considered in its analysis, and included the same manual adjustments in the disaggregated data.[6]

16. We have also considered the impact this will have on comparing prices by customer segment. The compounding approach means that some customers who are not in overdraft in the actual transaction data change segment when simulating the price for the new alternate product. This means that when we compare prices by customer segment (defined by actual average number of days in overdraft and credit balance per month) we are no longer comparing like for like between the aggregated and disaggregated data in terms of the sample of customers. Therefore, to enhance comparability between prices by customer segment estimated using aggregated and disaggregated data, particularly for non-overdraft customer segments, we exclude customers who in the disaggregated data change segment from being non-overdraft users to overdraft users.[7]

[5] For the remaining product the increase in unarranged overdraft fees was the second highest contributory factor to the increase (after monthly fees). A further 22% of products have a year 5 price that exceeds year 1 by 12% to up to 49% with the main reason being a significant increase in unarranged overdraft fees.
[6] See explanation earlier in the appendix for what these manual adjustments are.
[7] We note that the main effect of this is to reduce prices from disaggregate data for the Santander 123 Current Account for customers with less than £500 average credit balance.

Customer sample

17. Our main pricing analysis is based on the transaction history of customers from a wide range of banks, but LBG's was based on disaggregated data from its own customers only. For this verification exercise, we only compare results between the aggregate and disaggregate data for LBG customers. The prices estimated from aggregated data will therefore differ from those presented in our main results, which were based on a sample of customers across providers.

Prices

18. The prices used in LBG's analysis generated from the disaggregated data are based on market prices at the end of November 2015 (plus a prospective Santander price change in January 2016), while our analysis for prices from aggregated data was based on market prices in May 2016. We therefore focus on products where there were no substantial changes in prices over this period (based on an information request to banks for the period up to March 2016).[8]

Benefits

19. The prices used in LBG's analysis generated from disaggregated data do not include product benefits and this affects the comparison for the Nationwide FlexAccount, M&S Bank, LBG Club Lloyds Current Account and HSBC Premier Account. We therefore do not include benefits in either set of prices.

Returned item fees and paid item fees

20. The disaggregated data did not include returned item fees (RIFs) nor paid item fees (PIFs), however, LBG added an estimate for RIFs and PIFs to its estimated prices for the brand and customer segmentation level.[9] In our updated analysis based on aggregated data we have included estimates for RIFs and PIFs based on information received from each bank. In order to

---

[8] The products included are shown in Table 1 of this appendix. Products with no substantial price changes were identified based on responses from banks to a request for information. In our list of products with no substantial price changes we have included the new price for the Santander 123 Current Account which was effective from January 2016 as this was included in the LBG Runpath price data set. Also included is the TSB Classic Current Account which had a minor change in price which came into effect on 6 April 2016. Note that LBG used an alternate data set with the Santander price prevailing in November 2015 in Table 1 of LBG's 'Verification of CMA's pricing analysis and results from an alternative approach' (18 January 2016). We have, however, made use of the additional data set LBG submitted that includes the prospective Santander price change to ensure comparability with our updated prices.

[9] The product prices generated from disaggregated data that form the basis for Table 1 of LBG Verification Paper do not include returned item or paid item fees.

compare the product prices on a similar basis and understand the inherent differences of using aggregated and disaggregated data, we compare product prices excluding paid and unpaid item fees.[10]

Cashback

21. The estimated price from LBG's analysis generated from the disaggregated data includes cashback which LBG says it applied to a selection of identifiable transactions such as utility bills.[11] The estimated price in our main analysis using aggregated data also includes average cashback drawing from information provided by each bank on the average cashback it pays out for each product. We have retained the estimates of cashback in the comparison of prices, which means that the comparison reflects the inherent differences of using disaggregated and aggregated transaction data for estimating cashback.

Switching incentives

22. LBG estimated prices assuming that all customers in its sample would benefit from available switching incentives. Our main analysis based on aggregated data takes account of the fact that some customers will not be eligible for the switching incentive as they already hold a current account with the group/brand[12] In order to compare the results on a similar basis and understand the difference in prices from aggregated and disaggregated data, we compare both sets of prices assuming all customers are eligible for the switching incentive.[13]

Other

23. Although LBG said that its analysis only included Reward and Standard products we found that its analysis included some products that we define as packaged. In order to make our results consistent with our main analysis,

---

[10] The exception to this is prices estimated at group level shown later in this paper where LBG included its own estimates for group/brand-level RIFs and PIFs as set out in Table 3 of its submission ('Verification of CMA's pricing analysis and results from an alternative approach' (18 January 2016)). In this case, we include LBG's estimates for RIF and PIF in the overall price. LBG calculated the propensity to incur PIFs and RIFs by customer segment and at overall brand level. LBG's estimates for the cost of RIFs were based on the propensity of Lloyds customers to incur RIFs in different customer segments combined with publically available data on the RIFs for each provider. The estimates for the cost of PIFs were based on an estimate of the propensity to incur PIFs, which assumed that the number of PIFs was equivalent to the number of days in unarranged overdraft in different segments, combined with publically available data on PIFs for each provider.
[11] LBG response to PCA pricing analysis, Table 2.
[12] Whether this is brand or group depends on the terms and conditions of the switching incentive.
[13] In practice, taking account of products with no price changes shown in Table 1, this change only affects Halifax Reward Account and Halifax Current Account.

which considered only Reward and Standard products, we dropped all packaged products from the analysis.

Results

24. Table 1 compares the prices estimated using disaggregated and aggregated transaction data for GB Reward and Standard products by customer segment. When we look at results by customer segment, this allows us to assess the differences in results according to relatively homogeneous groups of customers. We observe that the absolute difference between the estimated prices is less than £0.50 for a quarter of the products (4 out of 16), and between £0.50 and £2 for the majority of products (10 out of 16). In most cases the price from aggregate data is higher than the disaggregated data.[14]

25. For non-overdraft customers, there are only a few products where the price from aggregated data is very different from the disaggregated data:

   (a) Halifax Reward: the disaggregated price estimate has higher cashback than in the estimate submitted to us.

   (b) LBG Club: disaggregated price estimate has generally higher monthly fees than the aggregated estimate for our data in which we applied the correct fee of £5 per month unless £1,500 is paid in.

   (c) Santander 123: the disaggregated price estimate has lower cashback than in Santander's estimate submitted to us (this affects non-overdraft and overdraft users).

26. We are comfortable, therefore, that the use of disaggregated data is not causing bias in the results for non-overdraft customers.

27. For overdraft users, there are larger differences between the price estimates. Overdraft users incur both interest and fees. We note that a large proportion of fees for overdraft users are arranged overdraft fees and unarranged overdraft fees, and this drives much of the difference between the estimates of prices in the two sets of results for overdraft users.

[14] When looking at overall average prices, it is important to note that there are different numbers of customers in each customer segment in the two sets of analysis, which explains the initially counter-intuitive averages. Customers in the first customer segment (more than 15 days in overdraft) have very high prices in both the aggregate and disaggregate data, but in the aggregate sample, this segment has a greater number of customers relative to the whole sample than in the disaggregate data. This means that this segment's price has a greater weight in the price across all customers in the aggregate data. For the disaggregate data, this price has relatively lower weighting.

28. For Halifax Reward, the difference is driven by LBG's estimate incorrectly not taking account of arranged overdraft fees.

29. The aggregated data contains average overdraft balances but not the average arranged overdraft/unarranged overdraft balance. We apply assumptions of £20 and £100 for unarranged overdraft balance for months where the customer is both in arranged and unarranged overdraft. However, the outputs show that the use of the £20/£100 assumption has almost no impact on the total arranged overdraft and unarranged overdraft fees.

30. One factor that will be biasing up LBG's results is its compounding of balances, rather than monthly reset as in our estimates. Under the compounding approach, LBG takes off fees from the monthly balance, whereas we do not in the monthly reset. As previously explained, this can lead to customers' balances decreasing in the disaggregated data as the months of the price simulation progress. Particularly where charges for the simulated product are high, and/or customers are close to the boundary of where charges will be incurred (eg customers close to their arranged overdraft limit or customers with no arranged overdraft), the compounding approach can lead to inflation of prices for these customers. This can take on a run-away effect as time progresses, such that by month 12 some customers are incurring very heavy charges. LBG has made some adjustments for this, but we consider that this effect is likely to be heavily biasing upward its price estimates.

Table 1: Comparison of prices using disaggregated and aggregated data – average price by product and customer group, GB

		Average Price			*Actual difference in average price by customer group*											
					Overdraft users				*Non-overdraft users*							
					Average number of days in overdraft				*Average credit balance*							
Brand	*Product*	*Disaggre-gated data*	*Aggre-gated data*	*Absolute difference*	*15+*	*8 to 14*	*4 to 7 days*	*1 to 3 days*	*Less than £500*	*£500 to less than £2k*	*£2k to less than £3k*	*£3k to less than £5k*	*£5k to less than £7500*	£7,500 to less than £1k0	£1k0 to less than £2k0	£2k0 or more
BoS	Bank of Scotland Classic Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
BoS	Bank of Scotland Classic Account with Vantage	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Barclays	Barclays Bank Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	Halifax Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Halifax	Halifax Reward Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Lloyds	Lloyds Bank Classic Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Lloyds	Lloyds Bank Club Lloyds Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide	Nationwide BS FlexAccount	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Nationwide	Nationwide BS FlexDirect Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Post Office	Post Office Standard Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
RBS	Royal Bank of Scotland Select Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
RBS	Royal Bank of Scotland Reward Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	Santander Everyday Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	Santander 1|2|3 Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Santander	Santander Choice Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Tesco Bank	Tesco Bank Current Account	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

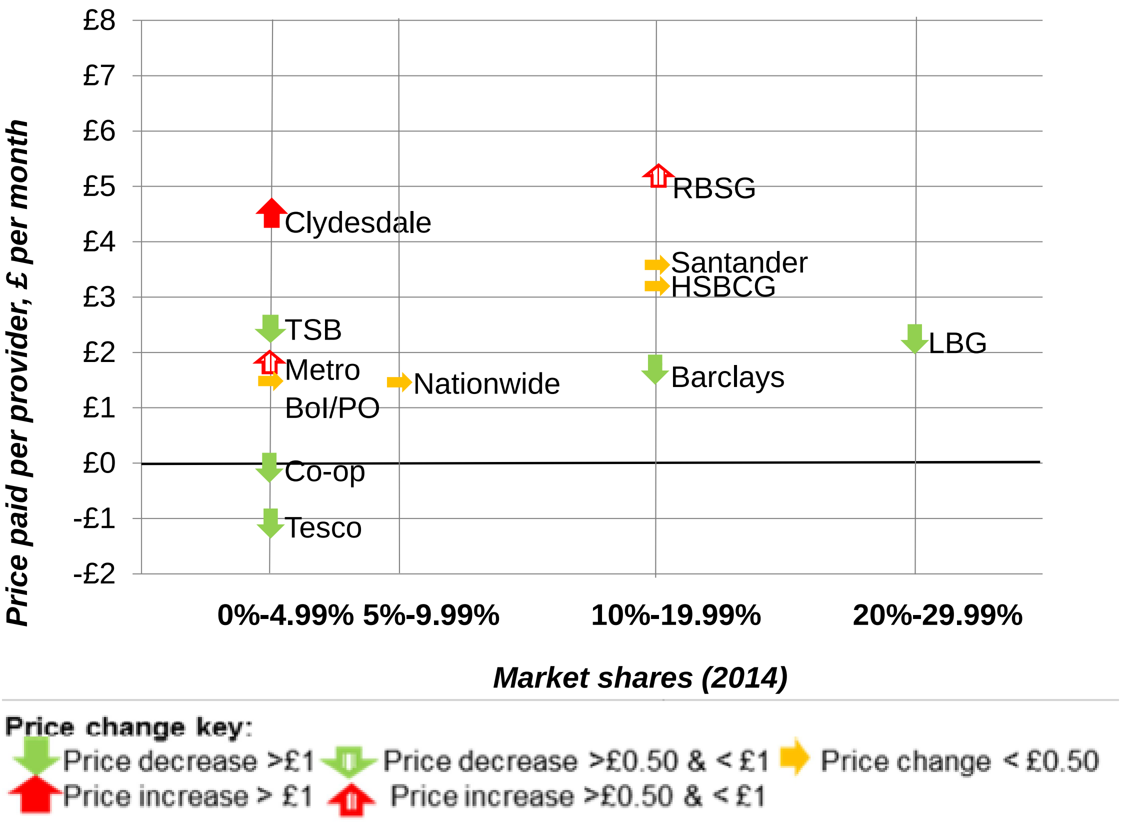
	Price from aggregate data higher than disaggregate: at least £2 higher
	Price from aggregate analysis higher: £0.50 to £2 higher
	Price from aggregate analysis lower: -£0.50 to -£2 lower
	Price from aggregate analysis lower: at least £2 lower

Source: CMA analysis of LBG Midata.
Notes:
1. For GB, average monthly price over one-year horizon.
2. Estimated prices from aggregated transaction data assumes a £100 unarranged overdraft for days where the customer account is both in arranged and unarranged overdraft.
3. NatWest is not shown as it has the same products as RBS.

The impact of using aggregated data on our assessment of price and outcomes

31. LBG submitted that the results based on its approach (using disaggregated data) did not support the conclusion that there was tendency for larger providers to have higher prices.[15] LBG submitted the following chart using data from its pricing analysis, comparing the price estimates with the CMA's original pricing analysis.

Figure 1: Group average price per month vs shares, using LBG's approach (using LBG disaggregated data), GB



Source: LBG submission of 18 January 2016. Figures based on disaggregated transaction data of current LBG customers, using LBG's most likely comparator methodology and market price as of November 2015 including the prospective price change for the Santander 123 Current Account due in January 2016. Based on Standard and Reward accounts. LBG submitted that the Runpath output for NatWest was incorrect so it only used Runpath output for RBS to generate the group price for RBSG. LBG's view is that NatWest and RBS have the same products and pricing so this has no impact on RBSG's overall group price.

32. We note that, even taking LBG's analysis as given, it is not entirely clear that this points to substantially different findings from those using aggregated data. In particular, this still suggests that several of the cheapest banks in the market have very small market shares.

[15] LBG response to PCA pricing analysis, paragraphs 1.14 & 1.24.

33. However, in addition to the use of disaggregated data and the points in the methodological section set out previously, this analysis of group-level prices incorporates a further change to the methodology we used to calculate average prices which we do not consider valid. This is set out below.

Weighting of prices and 'most likely comparator' methodology

34. In order to obtain its estimate of brand-level prices, when LBG estimated the price of an individual product it based this only on those customers for whom the product is cheapest within a particular brand, and calculated a simple average across customers. LBG did not use the existing mix of customers to weight prices when calculating the average price by brand. To obtain its estimate of group price, it took a weighted average by market share of the brand prices within each group. We remain of the view that for this analysis the weighting by existing customer mix is appropriate. Our analysis seeks to estimate the prices that are currently paid by customers in order to assess current prices across the market – rather than the best price available for customers at each brand if they switched, which would be the result of using a weighting based on the lowest priced product for the customer at each brand.

Methodology

35. We repeat a number of our main pieces of pricing analysis using the disaggregated data provided by LBG on its own customers, but using our own methodology to weight the prices rather than LBG's best comparator methodology. We produce three pieces of analysis investigating the relationship between:

(a) group-level prices and market shares;

(b) product-level prices and product shares; and

(c) product-level prices and the length of customer relationship.

36. We apply the same adjustments set out in the methodology in the previous section. Hence these are:

(a) Monthly averages across a one-year horizon to mitigate against unusual results introduced by the compounding of customer balances.

(b) For the Reward and Standard products considered by LBG, including its adjustments to mitigate against implausible results from compounding of balances and including switching incentives.

(c) Consistent with LBG's analysis, product-level prices exclude paid and unpaid item fees whereas group-level prices include LBG's estimates for paid and unpaid item fees.

(d) Excluding benefits.[16]

Results

37. Figure 2 shows the estimated price and share by group using the disaggregated data applying the CMA's methodology to weight the prices rather than LBG's most likely comparator methodology.[17] As explained above, these results are based only on data for LBG customers, rather than a sample of customers across providers and contain a number of other adjustments; they are therefore not comparable to those which are presented in our main results.

38. We observe that groups with the highest market share tend to have the highest prices. We observe that groups with relatively low shares tend to have lower prices, although we note that the greater dispersion in prices for groups of this size means that this does not mean that this holds in every case.

39. Table 2 indicates that groups with market share of 10% or more have on average higher average prices than those with below 10% share and that the difference in means is significant (9% significance level). We also find evidence that we can reject the null hypothesis that the average price is higher for groups with market share below 10% than groups with market share of 10% or more and conclude that the alternative hypothesis is true at the 95% confidence level.

Figure 2: Group average price per month vs shares, 'CMA methodology' using LBG disaggregated transaction data, GB

[✄]

Source: CMA analysis of LBG Midata.

[16] In this section, we adjust for LBG's incorrect estimate of zero arranged overdraft fees for the Halifax Reward Current Account, adjusting this equal the estimate in the aggregate data.
[17] As explained in Figure 1, LBG submitted that the Runpath output for NatWest was incorrect so it only used Runpath output for RBS to generate the group price for RBSG. LBG's view was that NatWest and RBS had the same products and pricing so this had no impact on RBSG's overall group price as shown in Figure 1. For Figure 2, the CMA notes that this exclusion of NatWest Runpath output within the RBSG group price entails the assumption that the customer/product mix for NatWest is the same as that for RBS.

Table 2: Summary statistics: mean and standard deviation of group prices by market share

			P-value	
Group market share	*Average group price*	*Standard deviation*	*Ho: No difference in means*	*Ho: Mean of baseline higher*
Under 10%	–1.47	1.91		
10% or more	3.03	0.71	0.086*	0.043**

Source: CMA analysis.
* p<0.1, ** p<0.05, *** p<0.01. Baseline is the under 10% market share category.

40. We consider price estimates by product to see to what extent the findings at group level are replicated at this more disaggregated level. Figure 3 shows for each product the estimated price and the volume share for this product.

Figure 3: Product average price per month vs product shares, 'CMA methodology' using LBG disaggregated transaction data, GB

[✄]

Source: CMA analysis of LBG Midata.
Note: Products for Tesco and the Post Office brand are not shown in this graph as product shares were not available.

41. We observe dispersion in the prices and share at a product level. However, the figure indicates that the cheapest products in the market have very small shares of volumes. It also suggests that products with relatively high share of volume tend not to have the lowest prices.

42. The greater dispersion in prices for products with lower shares however means that not all products with low share have relatively low prices. Table 3 indicates that products with share exceeding 5% have higher average price than those with below 2.5% share but this difference is not statistically significant.

Table 3: Summary statistics: mean and standard deviation of product price by product share

			P-value	
Product share	*Average product price*	*Standard deviation*	*Ho: No difference in means*	*Ho: Mean of baseline higher*
Under 2.5%	0.53	7.11		
2.5% to under 5%	–0.63	5.73	0.765	0.618
5% or more	3.43	1.33	0.339	0.170

Source: CMA analysis.
* p<0.1, ** p<0.05, *** p<0.01. Baseline is the under 2.5% market share category.

43. We then look at estimated average prices against the length of time the product is held. Figure 4 shows for each product the estimated price and

share. We observe no strong relationship between prices and the length of time a product has been held.[18]

Figure 4: Product average price per month vs length of time product held, 'CMA methodology' using LBG disaggregated transaction data, GB

[✄]

Source: CMA analysis of LBG Midata.

[18] Again, these results are based only on data for LBG customers, rather than a sample of customers across providers; they are therefore not comparable to those which are presented in our main results.

Appendix 5: Personal current account pricing and service quality analysis

Background

1. The existence of large variations in pricing across banks might indicate that customers of worse-performing banks would be better off switching away from their existing bank. However, it might also be reflective of differences in service quality, with customers making a trade-off between price and quality in choosing their account. In our provisional findings, we therefore interpreted the results of the pricing and quality analysis together.

2. There are four possible outcomes:

   (a) Customers pay **above**-average prices for **above**-average quality.

   (b) Customers pay **below**-average prices for **below**-average quality.

   (c) Customer pay **above**-average prices for **below**-average quality.

   (d) Customers pay **below**-average prices for **above**-average quality.

3. Outcomes *(a)* and *(b)* are consistent with customers making rational trade-offs between price and quality. However, for outcome *(c)*, customers would be better off by switching from the 'high-price low-quality' providers to 'low-price high-quality' brands (ie outcome *(d)*).

4. In this paper we update the evidence base on the interaction between price and quality as described below.

CMA update

5. This section sets out our response to the views submitted by the parties, grouped under the following categories:

   (a) Data;

   (b) Customer profiles and segmentation; and

   (c) Dimensions of service quality.

Data

6. Both Barclays and LBG submitted that we should not rely on the results of the Which? survey on customer satisfaction, as the sample was not

representative.[1] LBG submitted that instead of using the Which? figures, we should include satisfaction ratings from the GfK PCA survey in our main analysis.[2] Whilst we agree that there are some methodological concerns regarding the Which? survey, we prefer to include these results for completeness, and we note that the results are very much in line with our other sources of satisfaction data. We have also included results from the GfK PCA survey.

7. Barclays noted that it would be more accurate for us to match respondents from the GfK PCA survey with their cost of banking.[3] In doing so, we would be able to directly compare the prices that individual customers pay with their level of satisfaction. We undertake this analysis below.

8. LBG argued that customer satisfaction was not a meaningful indicator of quality, as it reflected customers' expectations and could be influenced by non-quality factors, such as what we refer to as brand taint effects.[4] While we recognise that there are limitations to the use of satisfaction measures as a proxy for quality outcomes, we maintain our view that customer satisfaction is a useful and important indicator of quality.

9. First, customer satisfaction ratings have the benefit over alternative indicators (such as operational performance measures) of measuring service outcomes as perceived by the customer, as opposed to single inputs or components of the overall quality. In this way they reflect the implicit weighting attached by customers to the various attributes of service. As a result, customer satisfaction ratings are widely used by both regulators and private companies (including banks) as measures of overall service quality.[5]

10. Second, we noted in our provisional findings that satisfaction ratings may partially reflect a customer's expectations of quality, and as such may not perfectly measure the actual quality of service offered.[6] To the extent that this is true, however, products that offer high quality should still receive strong satisfaction ratings: products that receive lower satisfaction ratings are failing to meet their customers' expectations of quality.

---

[1] Barclays response to provisional findings, paragraphs 2.5 & 2.7. LBG response to provisional findings, paragraphs 2.44 & 2.32.
[2] LBG response to provisional findings, paragraphs 2.44.
[3] Barclays response to provisional findings, paragraph 2.7.
[4] LBG response to provisional findings, paragraphs 18a, 1.5 & 2.30–2.31.
[5] Since 2011 for example Ofwat has used customer satisfaction as one of its key metrics to compare and incentivise improvements in the service quality delivered by water companies. Further, in their responses to the PCA market questionnaire, 8 of the 13 banking groups cited the NPS measure (used below) as a metric used to monitor and/or benchmark the quality of PCA service provided.
[6] Provisional findings, paragraph 5.74.

11. In a well-functioning market, we would therefore not expect to find a large number of providers with above-average prices but below-average satisfaction ratings. We would expect any providers in this group to be rapidly losing market share and, consequently, those providers with below-average prices and above-average satisfaction scores to be rapidly gaining market share.

Customer profiles and segmentation

12. We agree with LBG's submission that to the extent that banks target products at certain customers, this may result in our estimated brand prices – estimated with reference to a representative customer profile – being different from the average price for the actual customer base.[7] However, the basis for using a representative customer profile is to facilitate comparisons between products on the same basis. Further, the representative customer profile takes account of a product's eligibility criteria. Hence our prices are representative of what eligible customers could expect to pay.

13. We note LBG's argument, however, that products targeted at different customer segments may have quite different attributes, making the direct comparison of such products difficult. In our updated analysis below we therefore consider the robustness of our results in relation to specific customer segments.

14. Finally, in response to LBG's concern that our estimated brand prices rely on a sample of customers that may be different from a brand's actual customer base, our new analysis of price and quality at the customer level, presented below, is based on customers' existing bank accounts.[8] Hence this analysis does take into account the customer profile of a particular brand.

Dimensions of service quality

15. We have considered Barclays' submission that customers may self-select into particular products depending on many dimensions of service quality, including branch locations and mobile banking applications.[9] We do not believe, however, that each dimension of service quality needs to be considered separately as a result. In particular, if customers self-select and choose a particular account to access certain features (such as mobile banking), then the quality of those features will be captured by the customer's

[7] LBG response to provisional findings, paragraph 2.6.
[8] LBG response to provisional findings, paragraph 2.6.
[9] Barclays response to provisional findings, paragraph 2.6.

overall level of satisfaction. Overall satisfaction thus reflects the implicit weighting attached by customers to the various attributes of service.

16. In addition, even if a consumer has selected into a bank to access particular services, there are still likely to be gains from switching if satisfaction levels are low. It is customers' overall satisfaction that is most likely to influence their decision to switch account. When analysing the relationship between market outcomes with respect to price and quality, we therefore consider that it is most informative to consider overall satisfaction rather than satisfaction along specific dimensions.

Summary

17. Based on our response to the parties' submissions, we therefore undertake the following additional pieces of analysis:

(a) We update our previous assessment of the relationship between prices and quality. This takes into account the revised prices received from Runpath and a number of recommendations made by the parties. In particular, we extend our analysis to consider specific customer segments, and include satisfaction ratings from the GfK PCA survey.

(b) We compare prices and satisfaction levels for those respondents present in both the Runpath pricing sample and the GfK PCA survey. This enables us to directly compare the prices and quality that individual customers experience.

18. Our baseline scenario below consists of customers in GB with standard and reward accounts. We use prices inclusive of benefits in the baseline, and present results using prices excluding benefits in the Annex to this paper. The results are extremely similar in both cases.

Average prices and quality: update

19. We concentrate on two measures of quality:

(a) The net promoter score (NPS). This is a customer loyalty metric widely used by banks as part of their quality monitoring process, and is available from the GfK FRS survey. Surveyed customers are asked how likely they are to recommend their provider to friends and family, on a scale of 0 to 10. The NPS is the percentage of customers reporting a score of 9 or 10 ('promoters') minus the percentage reporting a score of 6 or below ('detractors'). The NPS therefore ranges from –100 to +100.

(b) The proportion of customers that are satisfied with their current account provider. This data is available from the GfK FRS survey, GFK PCA survey and Which? survey.

The GFK PCA measures satisfaction on a five-point scale (from 'very satisfied' to 'very dissatisfied') and the GFK FRS measures satisfaction on a seven-point scale (from 'extremely satisfied' to 'extremely dissatisfied'). We classify those in the PCA survey as 'satisfied' if customers responded that they are 'very satisfied' or 'fairly satisfied' with their provider, and those in the GfK FRS survey as 'satisfied' if customers respond that they are 'extremely satisfied', 'very satisfied' or 'fairly satisfied'.

The Which? satisfaction score is a hybrid measure calculated using a combination of respondents' overall satisfaction and how likely they are to recommend their bank to a friend.[10]

20. Figure 1 plots the average price of each brand against its NPS from the GfK FRS survey in which customers are asked how likely they are to recommend their provider to friends and family.

21. It is notable that there is a large cluster of providers offering **above** average prices and **below** average quality. Indeed, whilst nine providers are in this category, there are only three providers that have both **above** average prices and **above** average quality. In a well-functioning market, we would expect to find customers are prepared to pay higher prices only in return for higher quality. Insofar as some providers are offering below average quality products and above average prices, we would expect these providers' share to decline rapidly as customers switch to better quality/lower priced providers.

22. Two of the three providers offering below-average prices and above-average quality – [✂] and [✂] – have been gaining market share.[11] This indicates that customers are switching to the best-performing banks. However, the market share of both providers has only increased very slowly – [✂] and [✂] combined share of GB PCAs increased by less than [✂] percentage points in 2014.

[10] As there are definitional differences between the three sources, the scales are not directly comparable. Satisfaction measures from these datasets show differing degrees of variation in ratings (ranging from 87 to 96% from the GfK PCA consumer survey, 91 to 97% from the GfK FRS and 57 to 73% from the Which? satisfaction survey).
[11] We do not have comparable data on market share changes for the Post Office.

Figure 1: Comparison of NPS and PCA pricing by brand

[✂]

Source: CMA analysis on Runpath price outputs and GfK FRS.
Note: The prices in the figure include benefits. Price data is for 2016 and quality data is for 2014. The arrows denote whether the bank's market share increased or decreased in 2014.

23. We considered satisfaction as an alternative measure of quality – specifically the proportion of customers that are satisfied with their current account provider. We used data from the GfK FRS survey, GfK PCA survey and Which? survey.

24. Figure 2 plots average prices of each brand against the proportion of customers from the GfK FRS survey that are 'satisfied' with the overall level of service. The positioning of providers is extremely similar to the NPS results above, although [✂] have below average satisfaction on this measure. Using this satisfaction measure, [✂] have notably higher satisfaction scores than the other providers.

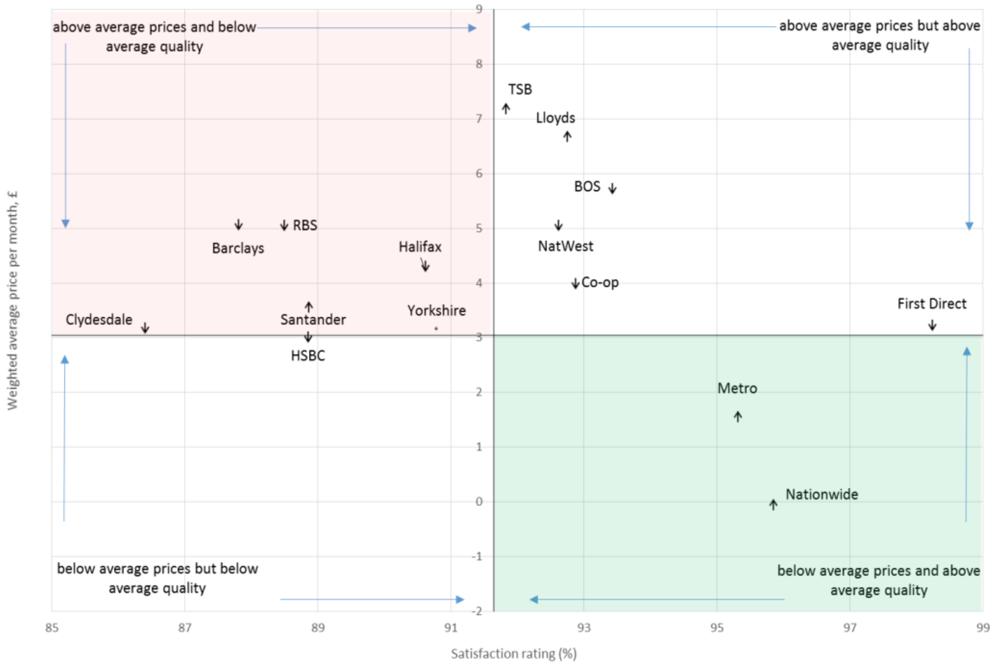
Figure 2: Comparison of GfK FRS satisfaction and PCA pricing by brand

[✂]

Source: CMA analysis on Runpath price outputs and GfK FRS.
Note: the prices in the figure include benefits. Price data is for 2016 and quality data is for 2014. The arrows denote whether the bank's market share increased or decreased in 2014.

25. In Figure 3 we also plot average prices against satisfaction levels using results from the GfK PCA survey. The general pattern is as before, although there is somewhat more variation in the distribution of providers with six providers offering above average prices and above average satisfaction on this measure.

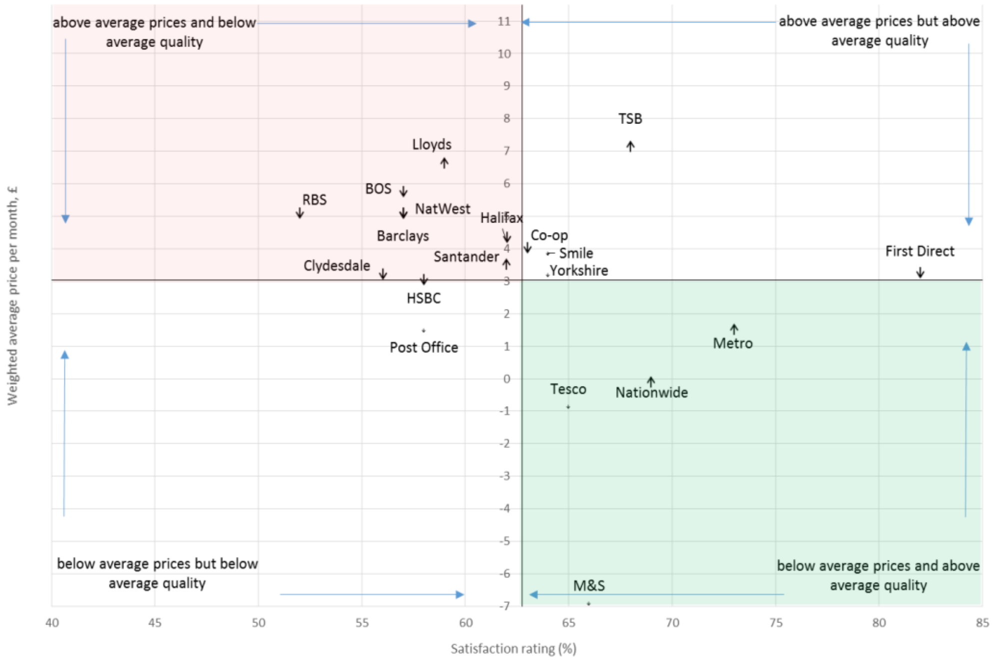
Figure 3: Comparison of GfK PCA satisfaction and PCA pricing by brand



Source: CMA analysis on Runpath price outputs and GfK PCA.
Note: the prices in the figure include benefits. Price data is for 2016 and quality data is for 2014. The arrows denote whether the bank's market share increased or decreased in 2014.

26. Below we present the results using results from the Which? satisfaction scores. These are derived using a much smaller sample compared with the GfK FRS and it has also not been possible for us to independently verify the robustness of the survey methodology. We therefore consider the Which? findings less robust, but note that they are consistent with the results using other measures.

Figure 4: Comparison of Which? satisfaction and PCA pricing by brand



Source: CMA analysis on Runpath price outputs and Which?.
Note 1: The prices in the figure include benefits. Price data is for 2016 and quality data is for January 2016. The arrows denote whether the bank's market share increased or decreased in 2014.
Note 2: the arrows for Barclays and NatWest cannot be distinguished in the figure.

27. Extending our assessment, we now consider the relationship between average prices and quality within particular customer segments. The aim is to check whether the main conclusions we draw from the aggregate analysis above also hold when we consider a more homogeneous set of customers. We focus on those customers with a credit balance of £1,750 or higher, as this is the only customer segment for which we have sufficient numbers of respondents to the GfK PCA satisfaction survey to create brand-level satisfaction ratings.[12]

28. The results are presented in Figure 5. The pattern is similar to the more aggregated analysis above, with four providers charging *above*-average prices and offering *below*-average quality, although there are more providers offering *above*-average prices and *above*-average quality. Again as before, the most competitive brands – those with *below*-average prices but *above*-average satisfaction – have not been rapidly gaining market share: [✂] lost market share in 2014, while [✂] market share increased only marginally.

[12] We include only those brands for which the number of respondents in the GfK PCA survey is 50 or more.

Figure 5: Comparison of GfK PCA satisfaction and PCA pricing by brand, for those customers with credit balance of £1,750 and above

[✂]

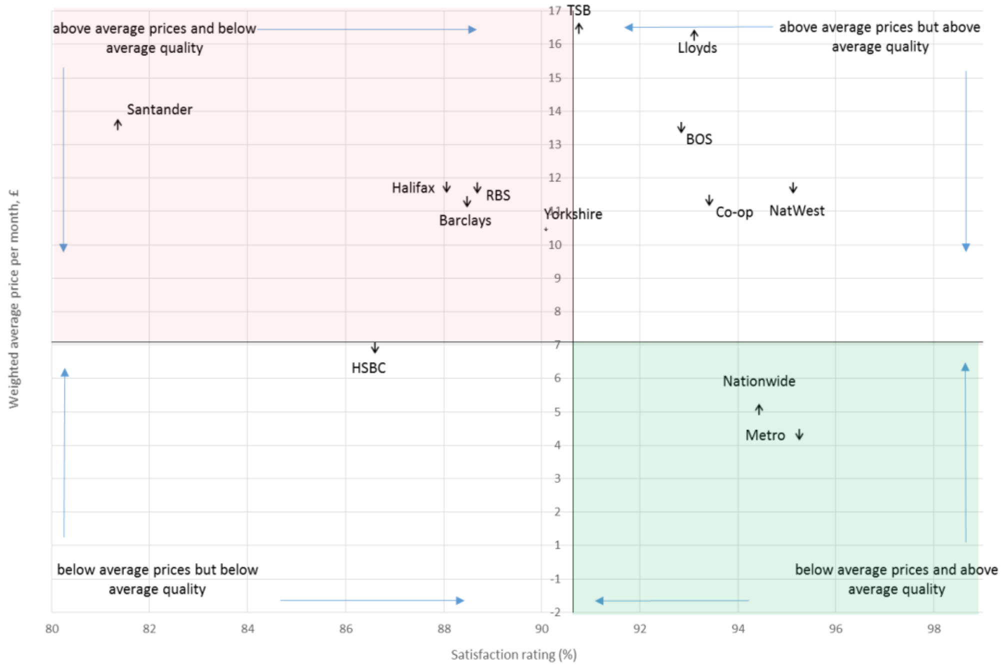
Source: CMA analysis on Runpath price outputs and GfK PCA.
Note 1: the prices in the figure include benefits. Price data is for 2016 and quality data is for 2015. The arrows denote whether the bank's market share increased or decreased in 2014. Those brands with less than 50 respondents in the GfK PCA survey for this customer segment are excluded.
Note 2: the arrows for RBS and Barclays cannot be distinguished in the figure.

29. We have also segmented by overdraft and non-overdraft users.

30. The results for overdraft users are presented in Figure 6, and those for non-overdraft users are presented in Figure 7. It is notable that some brands perform very differently across the two customer segments. Santander, for example, has the lowest satisfaction score among overdraft users and also charges above-average prices. For non-overdraft users, however, Santander is one of the most competitive brands, with below-average prices and above-average satisfaction. Conversely, NatWest has an above-average satisfaction rating among overdraft users, but a below-average rating among non-overdraft users.

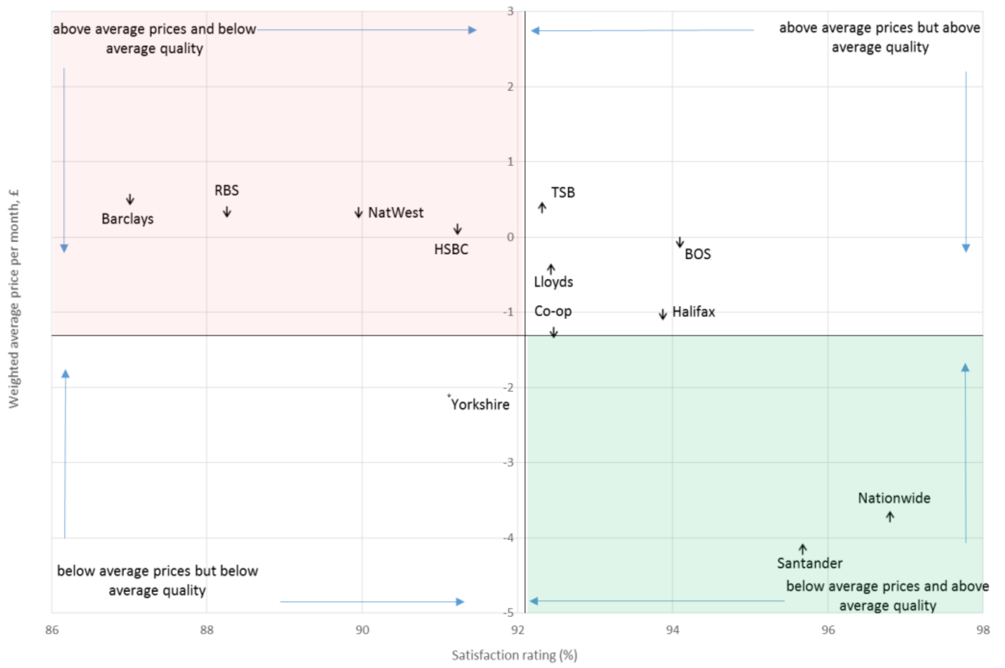
31. Overall, and consistent with the analysis above, both charts show considerable variation among brands in terms of price and quality, with a number of brands having above-average prices and below-average satisfaction.

Figure 6: Comparison of GfK PCA satisfaction and PCA pricing by brand, for overdraft users



Source: CMA analysis on Runpath price outputs and GfK PCA.
Note: the prices in the figure include benefits. Price data is for 2016 and quality data is for 2015. The arrows denote whether the bank's market share increased or decreased in 2014. Those brands with less than 50 respondents in the GfK PCA survey for this customer segment are excluded.

Figure 7: Comparison of GfK PCA satisfaction and PCA pricing by brand, for non-overdraft users



Source: CMA analysis on Runpath price outputs and GfK PCA.
Note: the prices in the figure include benefits. Price data is for 2016 and quality data is for 2015. The arrows denote whether the bank's market share increased or decreased in 2014. Those brands with less than 50 respondents in the GfK PCA survey for this customer segment are excluded.

Price and quality at the customer level

32. Our second piece of analysis considers the relationship between price and quality at an individual level. The advantage of this approach is that we do not need to construct brand or product level averages, but instead we can consider how satisfied particular customers are with their bank account, and how this relates to the actual price that they pay. This allows us to assess the extent to which there is a price-quality trade-off in the provision of PCAs that may be obscured in our analysis of aggregate price and satisfaction data.

33. To conduct this analysis we submitted to Runpath a sample of 3,709 individuals that were present in the GfK PCA survey. Of these 3,709 individuals, three responded that they 'don't know' how satisfied they are with their account, and these individuals are excluded. This leaves us with a sample of 3,706 individuals for which we have both price and quality information.[13]

34. Table 1 provides summary statistics on reported levels of satisfaction and average prices. Over half of respondents reported being 'very satisfied' with their PCA, with a further 39% being 'fairly satisfied'. Less than 5% reported being 'very dissatisfied' or 'fairly dissatisfied'.

35. It is clear from the table that the most satisfied customers on average paid much lower prices than the most dissatisfied customers. While those that are 'very satisfied' on average received net benefits of £0.37 each month, those that are 'very dissatisfied' on average paid £12.00 each month – this difference being statistically significant at the 1% level. It is notable that the average price per month steadily increases as the level of satisfaction decreases. The difference in average price between those that were 'fairly satisfied' and those that were 'fairly dissatisfied', for example, is also statistically significant at the 1% level.

36. These findings show that higher prices are not in general reflective of higher quality. They also undermine the view that satisfaction ratings purely reflect expectations: if that were the case, we would expect satisfaction scores to be roughly the same at all price levels. Instead, we find that those paying higher prices are significantly less likely to be satisfied with their account. These results therefore support the view that those paying higher prices might be better off switching away from their existing account. As we have set out

[13] 84% of the respondents are in GB and 16% are in NI. To maximise the number of observations we do not distinguish between GB and NI. For the same reason we do not distinguish between 'packaged' and 'standard and reward' accounts. The results are very similar if we restrict the analysis to GB and standard and reward accounts.

previously however,[14] overdraft users might have difficulty finding a suitable PCA provider to switch to.

Table 1: Satisfaction levels from the GfK PCA survey and average prices

Reported satisfaction	*Percentage of respondents (%)*	*Average price per month (£)*
Very satisfied	52	–0.37
Fairly satisfied	39	2.04
Neither satisfied nor dissatisfied	5	5.47
Fairly dissatisfied	2	6.89
Very dissatisfied	2	12.00

Source: CMA analysis and GfK PCA survey.

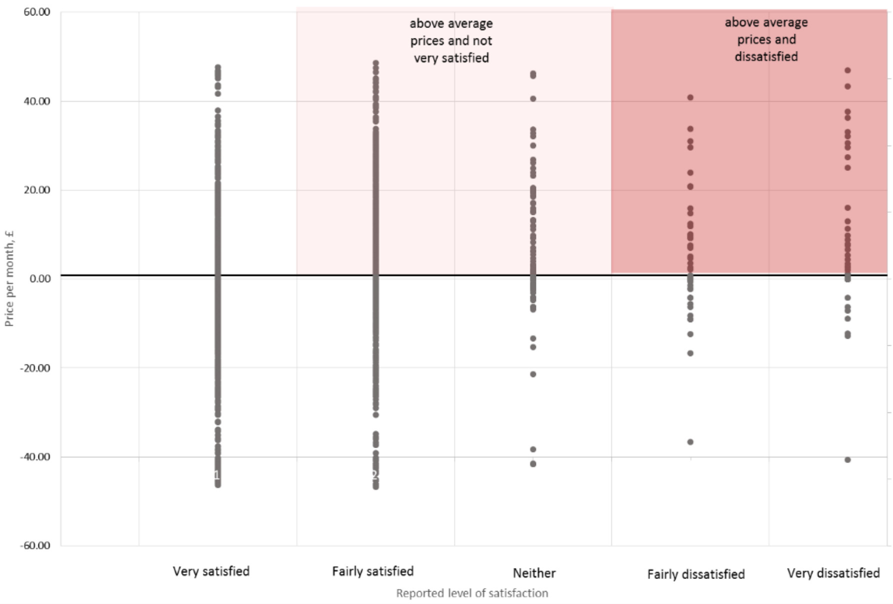
37. Figure 8 plots each customer's monthly cost of banking against their reported level of satisfaction.[15] We are particularly interested in those customers that pay above-average prices but receive below-average quality: a large proportion of such customers would indicate that the market is not functioning well, and there is a weak customer response to variations in prices and quality.

38. The upper right corner of Figure 8, shaded dark red, therefore indicates those customers paying above-average prices, but reporting dissatisfaction with their level of service. 3% of those surveyed fall into this group. As the most common response was 'very satisfied', we also highlight, in light red, those customers that pay above-average prices but are not very satisfied with their account. 16% of those surveyed fall into this group.

39. The figure therefore seems to paint a mixed picture. There is a relatively small percentage of customers (3%) that are both dissatisfied with their account and pay above-average prices. This might suggest that only a limited number of customers would benefit from switching their account. However, there is a much larger proportion (16% in total) that pay above-average prices and are not 'very satisfied' with their account. Given that the majority of customers are very satisfied with their account, this suggests that superior options also exist for this group of customers. In addition, as previously noted, there is evidence that, even though many customers said that they did not switch because they were satisfied, they may simply not be aware of alternatives available to them and therefore be able to verify whether indeed they have the best product and service for them.[16]

[14] See provisional findings, paragraphs 7.111–7.116.
[15] For the purposes of the figure we exclude extreme outliers – those with prices above or below the mean plus/minus 3 standard deviations.
[16] See provisional findings, paragraphs 7.33-7.35.

Figure 8: Comparison of satisfaction and PCA pricing by customer



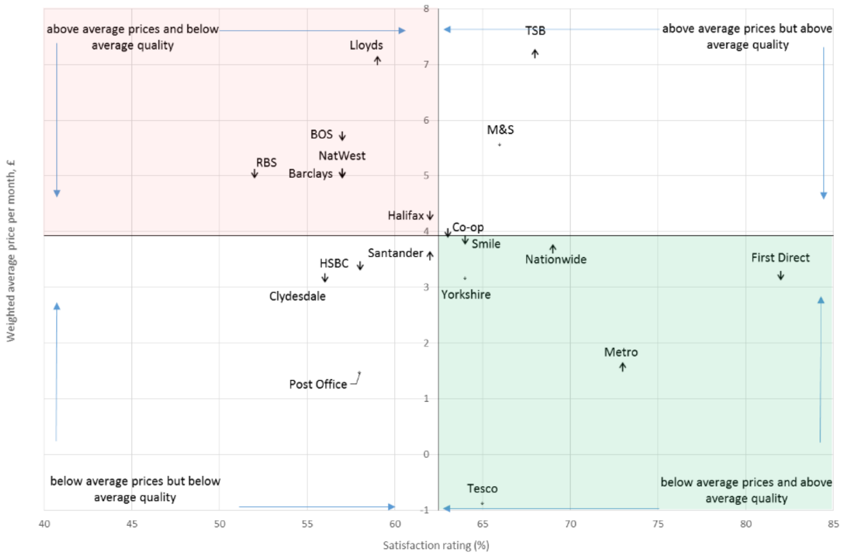
Source: CMA analysis on Runpath price outputs and GfK PCA. Price data is for 2016 and quality data is for 2015.

Annex: Average prices excluding benefits

1. In this annex we replicate Figures 1 to 4 using average prices excluding benefits. As before, the analysis was done for customers in GB with standard and reward accounts.

2. The main results are extremely similar to those including benefits. In particular, in each Figure there remains a large cluster of providers offering above average prices and below average quality. The most notable change when we exclude benefits is that the prices of Santander and Clydesdale fall below the average. Using the Which? satisfaction data in Figure 1, Santander therefore has below-average prices and above-average satisfaction. Using the other sources in Figures 2 to 4, the two providers now have below-average prices with below-average quality.

Figure 1: Comparison of Which? satisfaction and PCA pricing by brand



Source: CMA analysis on Runpath price outputs and Which?.
Note: the prices in the figure do not include benefits. Price data is for 2016 and quality data is for 2016. The arrows denote whether the bank's market share increased or decreased in 2014.

Figure 2: Comparison of NPS and PCA pricing by brand

[✂]

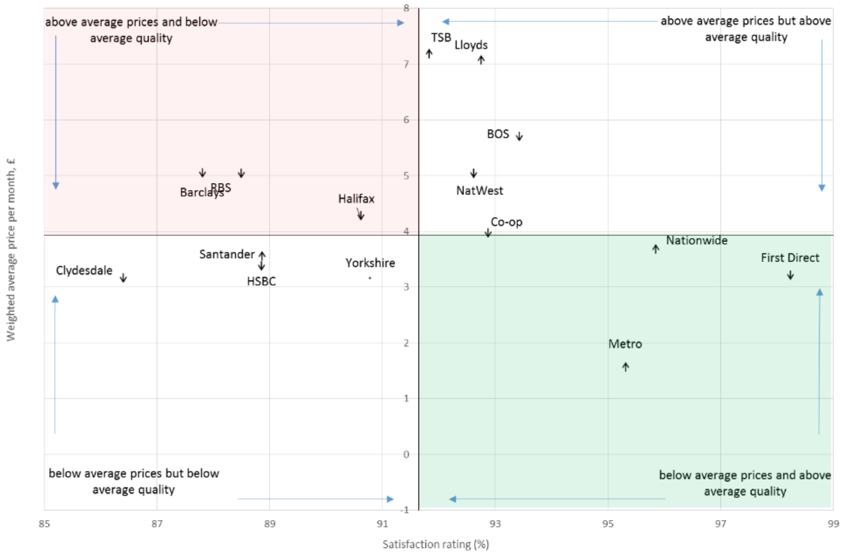
Source: CMA analysis on Runpath price outputs and GfK FRS.
Note: the prices in the figure do not include benefits. Price data is for 2016 and quality data is for 2014. The arrows denote whether the bank's market share increased or decreased in 2014.

Figure 3: Comparison of GfK FRS satisfaction and PCA pricing by brand

[✂]

Source: CMA analysis on Runpath price outputs and GfK FRS.
Note: The prices in the figure do not include benefits. Price data is for 2016 and quality data is for 2014. The arrows denote whether the bank's market share increased or decreased in 2014.

Figure 4: Comparison of GfK PCA satisfaction and PCA pricing by brand



Source: CMA analysis on Runpath price outputs and GfK PCA.
Note: The prices in the figure do not include benefits. Price data is for 2016 and quality data is for 2015. The arrows denote whether the bank's market share increased or decreased in 2014.

Appendix 6: Estimated gains from switching

Methodology

1. The analysis of gains from switching was conducted on the main sample and separately for GB and NI.

2. The estimated potential gains from switching accounts is calculated by finding the difference between the price per month of the customer's existing product and the price per month of the lowest priced products for that customer.

3. We modelled the following switching scenarios:[1]

   (a) **Standard/Reward**: this models customers on Standard or Reward products switching to other Standard and Reward PCA products. We model this option separately as a Standard/Reward product holder may not be willing to pay for the monthly fee and value the benefits of a Packaged account.

   (b) **Packaged**: this models customers on Packaged products switching to Standard, Reward or Packaged products. When calculating potential average gains for these customers, we only assume that customers would switch if a product is lower priced, although potentially with different benefits included.[2]

   (c) **Internal switching**: this models customers switching to products only from the set of products at their current brand and separately within their banking group.

4. In order to calculate average gains from switching, we aggregate individual gains from switching and then average across the sample (or across the particular segment we are analysing). Before aggregating individual gains from switching, we only take into account actual gains and not losses, ie if a customer would lose out when switching to a certain product we consider the gain for that customer from switching to that product to be zero. After

[1] Some accounts include a control feature, for which a customer pays a fee in order not to go into unarranged overdraft (but this can be in any type of these accounts).

[2] For GB, when we look at the products in the first five positions for observations currently holding a packaged account we see that:

- In P1, 96% are packaged, 4% Standard/Reward.
- In P2, 96% are packaged, 4% Standard/Reward.
- In P3, 95% are packaged, 5% Standard/Reward.
- In P4, 78%% are packaged, 22% Standard/Reward.
- In P5, 40% are packaged, 60% Standard/Reward.

aggregating the individual gains and to calculate average gains from switching, we take account of all accounts.[3]

5. The results presented in this appendix use customer segmentation 1 and the £100 unarranged overdraft assumption.[4] We comment on results for customer segmentation 2 and the £20 unarranged overdraft assumption in the section on sensitivities.

Notes on interpretation of results

6. Our estimates of potential gains from switching are based on a current market snapshot and do not represent the long-run gains from switching, as we have not modelled the impact on the market and pricing of increased switching.

7. Our estimates of potential gains from switching need to be interpreted carefully for the following reasons:

   (a) It has been necessary to make assumptions about some aspects of customer behaviour and other aspects, for example their valuation of benefits (see Appendix 2).

   (b) In making comparisons between products at different banks, it is assumed that customers would be able to obtain the same level of arranged and unarranged overdraft from other banks as they obtain from their own bank, unless that goes against product features.

   (c) The estimated gains do not take into account product quality or service differences between banks. We explore the relationship between price and quality in Appendix 5.

   (d) No switching incentives are included in the value of the customer's current product. Switching incentives are included in the year 1 and year 5 projection values when that product is not from the same brand as that of the incumbent product.

---

[3] Including those that would have losses if they switched.
[4] See Appendix 2, Annex A, for more details.

Results

Great Britain

Average and aggregate gains from switching

8. The table below shows average gains per month for all accounts in the sample for the five cheapest products in the market for any given account taking into account usage patterns.

9. We also present the average of the three and five cheapest products to identify gains from switching without overemphasising the importance of a particularly cheap product.

Table 1: Monthly gains from switching to five cheapest products, GB

			£ per month
	Basis of calculation		
	Excluding switching incentives	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*
Standard/Reward PCAs:			
Cheapest product	16.91	24.12	17.72
2nd cheapest	9.69	15.83	9.88
3rd cheapest	7.84	13.62	8.30
4th cheapest	6.59	12.44	6.73
5th cheapest	5.51	10.49	5.80
Average of 3 cheapest	11.48	17.86	11.97
Average of 5 cheapest	9.31	15.30	9.69
Packaged PCAs:			
Cheapest product	24.16	27.09	23.91
2nd cheapest	16.34	23.57	18.44
3rd cheapest	13.53	15.97	14.18
4th cheapest	9.21	12.87	9.61
5th cheapest	6.92	10.04	7.00
Average of 3 cheapest	18.01	22.21	18.84
Average of 5 cheapest	14.03	17.91	14.63

Source: CMA analysis on Runpath price outputs.

10. Assuming the product will be held for 12 months yields the highest gains, because the switching incentives and temporary discounts are being averaged across one year only. We consider that the measure that averages gains over five years is the most suitable measure for assessing gains from switching: it has the advantage that it takes into account any switching incentives and temporary discounts, but smooths their effect by averaging over a longer time period.[5]

[5] As set out in Appendix 2, at a late stage, Runpath told us that the monthly prices it had calculated over a period of five years and averaged to represent a monthly price (Y5 measure) did not include unpaid and paid items fees due to an error in running the data. We consider how this affects our results as part of our sensitivities.

11. We note the following points about the gains from switching, assuming the products are held for five years after switching:

(a) For Standard/Reward customers, the average gains per customer for switching to the cheapest product are around £18 per month and around £10 per month averaging over the five cheapest products.

(b) For Packaged account users, the average gains per customer for switching to the cheapest product are around £24 per month for Packaged account customers and around £15 per month averaging over the five cheapest products.

12. The table below shows the distribution of average gains from switching when switching to the average of five cheapest products and to the average of three cheapest products. The distribution of gains suggests that there is some variation in the gains from switching, but the mean and median gain are sufficiently similar that we consider the mean gain as a good measure for average gains.

Table 2: Distribution of average gains from switching when switching to average of five cheapest and to average of three cheapest

£ per month

	Average gains from switching to average of 5 cheapest products - £ per month			*Average gains from switching to average of 3 cheapest products - £ per month*		
	Basis of calculation			*Basis of calculation*		
	Excluding switching incentives	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*	*Excluding switching incentives*	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*
Standard/Reward PCAs:						
25th percentile	4.74	13.16	5.73	6.77	15.28	7.89
50th percentile	6.52	13.23	7.07	8.42	15.31	9.08
75th percentile	11.11	16.06	11.39	13.39	18.86	13.79
Average	9.31	15.30	9.69	11.48	17.86	11.97
Packaged PCAs:						
25th percentile	5.17	8.92	6.14	8.17	14.29	9.64
50th percentile	11.86	15.19	12.48	16.02	20.98	16.75
75th percentile	23.32	28.70	24.04	29.02	33.84	29.75
Average	14.03	17.91	14.63	18.01	22.21	18.84

Source: CMA analysis on Runpath price outputs.

13. The table below shows the equivalent annual average gains.

Table 3: Annual gains from switching to five cheapest products, GB

£ per year

	Basis of calculation		
	Excluding switching incentives	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*
Standard/Reward PCAs:			
Cheapest product	202.96	289.41	212.69
2nd cheapest	116.26	190.01	118.58
3rd cheapest	94.12	163.48	99.55
4th cheapest	79.11	149.23	80.74
5th cheapest	66.14	125.91	69.63
Average of 3 cheapest	137.78	214.30	143.61
Average of 5 cheapest	111.72	183.61	116.24
Packaged PCAs:			
Cheapest product	289.96	325.02	286.92
2nd cheapest	196.02	282.83	221.23
3rd cheapest	162.39	191.65	170.15
4th cheapest	110.47	154.44	115.35
5th cheapest	83.08	120.52	84.00
Average of 3 cheapest	216.13	266.50	226.10
Average of 5 cheapest	168.38	214.89	175.53

Source: CMA analysis on Runpath price outputs.

14. Potential gains across the market are calculated by summing across the sample and grossing up for the proportion of all PCAs represented by the sample (this excludes customers of basic bank accounts and student and young person’s accounts, which can lead to an underestimation of gains across the market).

15. The table below shows estimated aggregate gains for all active PCA customers switching to the cheapest product, average of the third and fifth cheapest products and third and fifth cheapest product. This gives an indication of the total gains from switching to cheaper products, if customers maintained their current transaction patterns.

Table 4: Aggregate gains from switching in the market, GB

£m

	Basis of calculation		
	Excluding switching incentives	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*
Cheapest product			
Standard/Reward PCA	10,015	14,281	10,496
Packaged PCAs	1,980	2,219	1,959
Average of 3 cheapest products			
Standard/Reward PCA	6,799	10,575	7,087
Packaged PCAs	1,476	1,820	1,544
3rd cheapest product			
Standard/Reward PCA	4,645	8,067	4,912
Packaged PCAs	1,109	1,309	1,162
Average of 5 cheapest products			
Standard/Reward PCA	5,513	9,060	5,736
Packaged PCAs	1,150	1,467	1,198
5th cheapest product			
Standard/Reward PCA	3,264	6,213	3,436
Packaged PCAs	567	823	574

Source: CMA analysis on Runpath price outputs.
Note: Based on:
- Total number of active GB PCAs in 2014: 65,778,454.
- Assuming the UK split across account types in the UK for 2014 can be applied equally to GB and NI for the same period.
- Share of Standard/Reward PCAs in the UK in 2014: 75%.
- Share of Packaged PCAs in the UK in 2014: 10%.

Gains by customer segment and characteristics

16. We have assessed how the gains from switching vary across different customer segments (focusing on the results over the five-year period, which include switching incentives).

Based on account eligibility across the market

17. The table below shows the average gains from switching across customer segments based on number of direct debits (DD) and payments into the account.[6]

[6] For more details on customer segmentation please refer to the 'Segmentation' subsection of Appendix 2.

Table 5: Average gains from switching to average cheapest products, by account type and segment, five years (switching incentives), GB

£ per month

	Customer segment								
	Less than £500	£1,000 to less than £1,500	£1,750 or more	<2 DDs & £500 to <£750	<2 DDs & £750 to <£1,000	<2 DDs & £1,500 to <£1,750	2+ DDs & £500 to <£750	2+ DDs & £750 to <£1,000	2+ DDs & £1,500 to <£1,750
Standard/Reward PCAs:									
Cheapest product	17.88	17.59	18.02	17.61	18.00	17.20	16.10	16.99	17.83
2nd cheapest product	9.70	9.36	10.55	9.16	9.40	9.64	8.51	9.01	10.15
3rd cheapest product	7.97	7.97	8.78	7.85	8.06	8.21	7.23	7.64	8.77
4th cheapest product	6.22	6.49	7.40	5.94	5.65	6.75	5.43	5.63	7.36
5th cheapest product	5.80	5.58	6.11	5.55	5.15	5.60	5.11	5.19	6.07
Average 3 cheapest	11.85	11.64	12.45	11.54	11.82	11.68	10.61	11.21	12.25
Average 5 cheapest	9.52	9.40	10.17	9.22	9.25	9.48	8.48	8.89	10.04
Proportion of Standard and reward PCAs, per customer segment (%)	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]
Packaged PCAs:									
Cheapest product	28.78	24.91	22.72	27.93	28.31	14.92	26.51	25.52	25.35
2nd cheapest product	23.72	19.57	17.09	22.80	23.15	11.64	20.50	20.33	20.11
3rd cheapest product	18.61	15.00	13.19	17.73	19.79	9.51	13.45	15.75	15.08
4th cheapest product	13.86	10.34	8.58	12.74	14.23	7.27	9.28	11.39	10.98
5th cheapest product	11.93	7.65	6.06	10.48	11.41	6.08	6.69	8.19	7.48
Average 3 cheapest	23.71	19.83	17.67	22.82	23.75	12.02	20.15	20.53	20.18
Average 5 cheapest	19.38	15.49	13.53	18.34	19.38	9.88	15.29	16.24	15.80
Proportion of Packaged PCAs (%)	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]

Source: CMA analysis on Runpath price outputs.

18. For Standard/Reward products, there is not a large difference in average gains from switching across these customer segments.

19. For Packaged products, the segment of accounts with fewer than two DDs and payments in between £1,500 and less than £1,750 appears to have significantly lower average gains from switching compared to the other segments.

Based on average credit balance and average number of days in overdraft

20. The table below shows the average gains from switching across customer segments based on average credit balance and average number of days in overdraft.[7]

[7] For more details on customer segmentation please refer to the 'Segmentation' subsection of Appendix 2.

Table 6: Average gains from switching to average cheapest products, by account type and segment, 5 years (switching incentives), GB

£ per month

	Characteristics											
	15+ days in od	*8–14 days in od*	*4–7 days in od*	*1–3 day(s) in od*	*less than £500, no od*	*£500 to less than £2,000, no od*	*£2,000 to less than £3,000, no od*	*£3,000 to less than £5,000, no od*	*£5,000 to less than £7,500, no od*	*£7,500 to less than £10,000, no od*	*£10,000 to less than £20,000, no od*	*£20,000 or more, no od*
Average gains from switching (£ per month)												
Standard and reward PCAs:												
Cheapest product	32.58	26.30	22.04	16.21	13.99	13.80	13.79	13.54	14.86	15.99	18.15	24.69
2nd cheapest product	24.38	17.48	13.20	7.65	5.03	5.27	7.03	9.56	11.22	13.03	11.01	11.72
3rd cheapest product	21.81	15.79	11.93	6.60	4.17	4.49	5.65	6.87	9.18	9.57	7.96	8.26
4th cheapest product	19.75	13.60	9.81	4.86	2.76	3.51	4.37	5.98	7.31	7.46	6.27	6.48
5th cheapest product	18.79	12.85	9.09	3.96	2.37	2.81	3.82	5.16	5.44	5.43	4.43	4.69
Average 3 best	26.26	19.86	15.72	10.15	7.73	7.85	8.82	9.99	11.75	12.86	12.37	14.89
Average 5 best	23.46	17.20	13.21	7.86	5.66	5.97	6.93	8.22	9.60	10.29	9.56	11.17
Proportion of Standard and reward PCAs accounted for by the segment (%)	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Packaged PCAs:												
Cheapest product	27.37	21.03	24.68	24.19	29.10	23.31	21.56	19.52	20.35	20.53	19.45	10.96
2nd cheapest product	23.06	16.38	19.11	18.36	23.47	17.35	16.14	12.91	13.60	16.15	10.63	8.49
3rd cheapest product	19.13	12.22	15.50	14.08	16.96	11.72	11.74	9.64	11.53	14.59	5.98	6.81
4th cheapest product	14.74	7.72	10.17	9.43	12.67	7.15	7.32	3.85	6.34	11.35	4.47	6.06
5th cheapest product	11.20	5.67	8.30	6.90	8.56	4.29	4.97	2.97	3.78	9.50	3.57	5.42
Average 3 best	23.19	16.55	19.76	18.88	23.18	17.46	16.48	14.02	15.16	17.09	12.02	8.75
Average 5 best	19.10	12.60	15.55	14.59	18.15	12.76	12.35	9.78	11.12	14.42	8.82	7.54
Proportion of Standard and reward PCAs accounted for by the segment (%)	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA analysis on Runpath price outputs.

21. There is a clear pattern emerging from this table for Standard/Reward products, whereby gains from switching appear highest for those in overdraft (except for those who use overdrafts for three days or less) and gains from switching increase with the number of days in overdraft. For customers in credit, we also find a relatively consistent pattern whereby gains from switching tend to increase with the average credit balance.

22. For customers currently holding Packaged products, gains from switching are generally higher for overdraft users though there is no clear pattern of gains increasing with the number of days in overdraft. For customers in credit, we find that gains from switching do not necessarily increase with average credit balance, and the highest gains from switching for credit customers are for those with a balance below £500.

Based on overdraft usage (arranged/ unarranged)

23. The table below shows the average gains from switching across customer segments based on overdraft usage.[8]

[8] For more details on customer segmentation please refer to the 'Segmentation' subsection of Appendix 2.

Table 7: Average gains from switching to average cheapest products, by account type and segment, 5 years (switching incentives), GB

£ per month

			Unarranged (with or without arranged) overdraft				*Arranged only overdraft*				*Unarranged only overdraft*		
Average gains from switching (£ per month)	*No overdraft*	*All overdraft users*	*1–3 days*	*4–7 days*	*8–14 days*	*15+ days*	*1–3 days*	*4–7 days*	*8–14 days*	*15+ days*	*1–3 days*	*4–7 days*	*8+ days*
Standard and reward PCAs:													
Cheapest product	14.99	21.45	18.94	23.00	29.65	36.51	14.69	17.54	19.56	25.22	18.03	38.11	68.21
2nd cheapest product	7.68	12.90	10.40	14.05	20.87	28.40	6.25	8.78	10.76	16.93	9.28	29.21	59.12
3rd cheapest product	6.00	11.44	9.21	12.84	19.12	25.61	5.27	7.52	9.09	14.71	8.13	27.79	56.82
4th cheapest product	4.68	9.53	6.58	10.22	16.17	22.87	4.05	6.00	7.67	13.54	5.78	24.26	53.36
5th cheapest product	3.71	8.66	5.59	9.31	15.47	22.15	3.08	5.32	6.82	12.24	5.01	23.69	53.16
Average 3 best	9.56	15.26	12.85	16.63	23.21	30.17	8.74	11.28	13.14	18.95	11.81	31.70	61.38
Average 5 best	7.41	12.80	10.14	13.88	20.26	27.11	6.67	9.03	10.78	16.53	9.25	28.61	58.13
Proportion of Standard and reward PCAs (%)	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]
Packaged PCAs:													
Cheapest product	22.53	24.61	22.99	34.11	27.81	28.31	22.64	20.17	16.30	25.66	27.46	27.52	35.00
2nd cheapest product	16.54	19.40	17.60	26.40	21.95	23.65	16.40	15.08	12.33	22.01	22.29	26.18	33.29
3rd cheapest product	11.95	15.32	14.27	22.78	17.70	19.96	12.00	11.37	8.31	17.64	18.03	23.51	25.99
4th cheapest product	7.51	10.68	8.78	18.49	13.38	16.27	7.14	5.19	3.56	12.00	14.00	21.76	25.91
5th cheapest product	4.97	8.03	7.00	15.09	10.09	12.54	4.87	3.95	2.28	8.80	10.79	20.33	24.83
Average 3 best	17.00	19.78	18.29	27.76	22.49	23.97	17.01	15.54	12.31	21.77	22.59	25.74	31.43
Average 5 best	12.70	15.61	14.13	23.37	18.19	20.14	12.61	11.15	8.55	17.22	18.51	23.86	29.00
Proportion of Packaged PCAs (%)	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]	[✄]

Source: CMA analysis on Runpath price outputs.

24. For accounts currently holding Standard/Reward products, the lowest gains from switching are for those who either do not use any overdraft, or are very light users of arranged overdrafts (1 to 3 days a year). For an equivalent number of days in overdraft, we find that gains from switching generally tend to be higher for unarranged overdraft users than for arranged overdraft users (this can be seen by comparing gains from switching for customers who used only arranged overdrafts to those who used only unarranged overdrafts). Overall, the largest potential average gains from switching are for those in unarranged overdraft, particularly for those with the highest number of average days in unarranged overdraft throughout the year.

25. For accounts currently holding Packaged products, we find that the lowest gains from switching are for those who either do not use any overdraft and for those that use arranged overdrafts only. The other patterns are similar to those for Standard/Reward accounts.

Gains by provider

26. We have also looked at the average gains by provider to assess how the gains from switching are distributed across providers (see Table 8 below, ordered by banking group market share in descending order). We note that there are in general higher average gains from switching for customers over the five-year period who hold an account with one of the higher market share banking groups.

27. For Standard and Reward, recent entrants and smaller banks are associated with lower gains from switching.

Table 8: Average gains from switching to average of five cheapest and to average of three cheapest, for all observations, by account type and incumbent provider, GB

£ per month

			Average gains from switching to average of 5 cheapest products			*Average gains from switching to average of 3 cheapest products*		
			Basis of calculation			*Basis of calculation*		
Group	*Group market share (%)*		*Excluding switching incentives*	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*	*Excluding switching incentives*	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*
		Standard/Reward PCAs:						
LBG	[✂]	Lloyds Bank	11.66	17.54	11.84	13.89	20.14	14.18
LBG	[✂]	Halifax	9.55	16.03	10.09	11.82	18.58	12.47
LBG	[✂]	Bank of Scotland	11.33	17.29	11.49	13.63	20.07	13.93
RBSG	[✂]	NatWest	10.52	16.65	11.16	12.87	19.35	13.62
RBSG	[✂]	Royal Bank of Scotland	10.16	16.70	10.81	12.61	19.46	13.35
Barclays	[✂]	Barclays	10.71	16.63	11.03	13.07	19.45	13.51
HSBCG	[✂]	HSBC	9.23	14.85	10.22	11.56	17.69	12.68
HSBCG	[✂]	First Direct	8.42	14.02	9.28	10.67	16.67	11.69
HSBCG	[✂]	M&S Bank	2.46	4.13	2.46	3.26	4.79	3.26
Santander	[✂]	Santander	8.77	12.94	8.20	10.42	15.01	9.94
Nationwide BS	[✂]	Nationwide BS	2.91	9.90	2.85	4.35	11.99	4.51
TSB	[✂]	TSB	4.90	12.90	6.00	7.13	15.04	8.22
Clydesdale	[✂]	Clydesdale Bank	5.86	12.90	6.65	8.06	15.52	8.87
Clydesdale	[✂]	Yorkshire Bank	5.55	12.90	6.39	7.80	15.53	8.61
Clydesdale	[✂]	smile	5.43	13.53	6.04	7.67	15.58	8.25
The Co-operative	[✂]	The Co-operative Bank	5.60	13.63	6.18	7.76	15.69	8.32
Metro Bank	[✂]	Metro Bank	1.13	4.54	1.19	1.81	5.93	1.94
		Packaged PCAs:						
LBG	[✂]	Lloyds Bank	23.20	28.64	23.66	28.36	33.35	28.96
LBG	[✂]	Halifax	10.50	14.41	11.08	14.89	19.90	15.93
LBG	[✂]	Bank of Scotland	31.22	35.64	31.46	35.61	39.50	35.66
RBSG	[✂]	NatWest	12.72	15.57	13.39	15.14	17.91	15.94
RBSG	[✂]	Royal Bank of Scotland	12.78	15.53	13.30	15.24	17.87	15.77
HSBCG	[✂]	First Direct	18.85	24.42	21.05	23.84	28.64	26.22
Nationwide BS	[✂]	Nationwide BS	5.32	7.92	5.74	8.85	13.06	9.55
Clydesdale	[✂]	Clydesdale Bank	3.41	3.42	3.42	5.69	5.69	5.69
Clydesdale	[✂]	Yorkshire Bank	17.36	23.19	18.52	23.90	28.13	24.73

Source: CMA analysis on Runpath price outputs.

Internal switching

28. We analysed potential switching gains when considering internal switching only – that is switching to the cheapest product within the same brand and to the cheapest product within the same group (see Table 9 below). The average gains from switching are considerably lower when only considering internal switching, although we note that switching within banking group still leads to around £4 monthly saving (or around £50 annually) for Standard/ Reward accounts, and around £10 monthly saving (or around £120 annually) for Packaged accounts.

Table 9: Monthly gains from internal switching to cheapest product, GB

	£ per month
	Basis of calculation
	Excluding switching incentives
Internal brand switching only	
– Standard/Reward PCAs	1.43
– Packaged PCAs	5.79
Internal group switching only	
– Standard/Reward PCAs	4.21
– Packaged PCAs	9.56

Source: CMA analysis on Runpath price outputs.

Sensitivities

Legacy accounts

29. We asked Runpath to match legacy accounts to the oldest on-sale PCA; this might lead to inaccuracies in the gains from switching analysis due to the product types we include in the comparisons. For example, a Packaged account that is a legacy product might be matched against the oldest on-sale PCA of the same provider, which might be a Standard account. In this particular case, this would cause it to be compared only against other 'Standard/Reward' accounts instead of also being compared against Packaged accounts in the gains from switching analysis. In order to address the potential inaccuracies that this may cause, we conducted two sensitivities related to legacy account observations:

(a) one using 2014 data[9] when calculating legacy product's incumbent value; and

[9] Available in the transactions data.

(b) the other excluding legacy observations altogether.

30. The table below includes average monthly gains from switching calculated on three different bases:

(a) no sensitivity;

(b) using 2014 data to calculate the incumbent product price when the observation relates to a legacy account, rather than current pricing data applied to the matched oldest on-sale PCA for that account; and

(c) excluding legacy product observations altogether.

31. The average gains from switching are very similar across these bases.

Table 10: Monthly gains from switching to five cheapest products, GB, five years (switching incentives), calculated on three different bases

£ per month

	Basis of calculation		
	No sensitivity	*Using 2014 data for legacy account observations*	*Excluding legacy accounts altogether*
Standard/Reward PCAs:			
Cheapest product	17.72	16.72	17.03
2nd cheapest	9.88	8.93	9.23
3rd cheapest	8.30	7.38	7.72
4th cheapest	6.73	5.87	6.18
5th cheapest	5.80	4.98	5.33
Average of 3 cheapest	11.97	11.01	11.33
Average of 5 cheapest	9.69	8.78	9.10
Packaged PCAs:			
Cheapest product	23.91	23.91	23.89
2nd cheapest	18.44	18.44	18.41
3rd cheapest	14.18	14.18	14.15
4th cheapest	9.61	9.62	9.58
5th cheapest	7.00	7.00	6.98
Average of 3 cheapest	18.84	18.85	18.82
Average of 5 cheapest	14.63	14.63	14.60

Source: CMA analysis on Runpath price outputs.

Excluding price components

32. We take out of the prices our assumptions on benefits and paid/unpaid items in turn for the five cheapest products. We note that the gains from switching to the five cheapest products excluding these values do not necessarily represent the five cheapest products in the market after these values have been excluded in the price calculations. Nevertheless, this allows us to understand how much each of these values contributes to the gains when switching to the five cheapest products.

- *Excluding benefits*[10]

33. We find that the benefits have a relatively high contribution to the average gains from switching to the first five products. Though the numbers are not directly comparable due to the reasons set out in the previous paragraph, overall gains from switching are reduced by just under half when we do not take into account benefits.[11]

Table 11: Monthly gains from switching to five cheapest products, GB, excluding benefits

£ per month

	Basis of calculation		
	Excluding switching incentives	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*
Standard/Reward PCAs:			
Cheapest product	6.69	13.17	7.32
2nd cheapest	4.70	10.58	4.25
3rd cheapest	4.88	12.34	4.63
4th cheapest	5.50	7.70	5.41
5th cheapest	5.01	10.04	5.37
Average of 3 cheapest	5.42	12.03	5.40
Average of 5 cheapest	5.36	10.77	5.40
Packaged PCAs:			
Cheapest product	3.67	14.20	3.66
2nd cheapest	6.53	-0.60	5.52
3rd cheapest	7.64	13.23	8.47
4th cheapest	10.10	14.51	10.66
5th cheapest	12.31	17.32	14.90
Average of 3 cheapest	5.94	8.94	5.88
Average of 5 cheapest	8.05	11.73	8.64

Source: CMA analysis on Runpath price outputs.

- *Paid and unpaid items charges*

34. At a late stage and shortly before publication of this working paper, our contractor, Runpath, told us that the monthly prices it had calculated over a period of five years and averaged to represent a monthly price (Y5 measure) did not include unpaid and paid items fees due to an error in running the data. Unpaid and paid items fees were included in the other two measures (12-month average price, Y1, and monthly price excluding temporary switching incentives, M).

35. Given that we have used the five-yearly measure as our main metric, we verified the extent to which this omission may affect our results on gains from switching. We compared gains from switching using the monthly measure excluding switching incentives to the gains from switching using the five-

[10] For more details on benefits, please refer to Appendix 2.
[11] These values do not necessarily represent the 5 cheapest products in the market after benefits have been excluded in the price calculations. The benefit values were simply removed from the original five best product values prior to excluding benefits.

yearly measure. The monthly measure excluding switching incentives gives us a lower bound for gains from switching, given that the inclusion of switching incentives could only increase gains from switching. We find that gains from switching using the five-yearly measure are very similar to those using the monthly measure; therefore the omission of paid and unpaid items fees is not leading to any material overestimation of gains from switching.

36. Moreover, as set out in the table below, considering the gains including and excluding the unpaid/paid items for the monthly and Year 1 measures shows that these charges account for a relatively small proportion of gains for unarranged overdraft users (the only observations to which paid/unpaid items charges should be applied in product price calculations). Therefore, overall, we consider that the use of the Y5 measure is unlikely to materially affect results, and further note that it does not impact on gains from switching for non-overdraft users.

Table 12: Monthly gains from switching to five cheapest products for unarranged overdraft users, GB

£ per month

	For unarranged overdraft users		*For unarranged overdraft users excluding paid and unpaid items charges*	
	Basis of calculation		*Basis of calculation*	
	Excluding switching incentives	*12 months (incl. switching incentives)*	*Excluding switching incentives*	*12 months (incl. switching incentives)*
Standard/Reward PCAs:				
Cheapest product	27.51	35.46	24.58	32.52
2nd cheapest	18.87	26.42	16.05	23.54
3rd cheapest	15.79	19.15	13.21	17.00
4th cheapest	14.79	17.57	12.15	16.75
5th cheapest	13.54	16.26	11.77	15.80
Average of 3 cheapest	20.72	27.01	17.95	24.35
Average of 5 cheapest	18.10	22.97	15.55	21.12
Packaged PCAs:				
Cheapest product	28.90	31.01	27.80	32.14
2nd cheapest	20.10	28.48	20.85	27.81
3rd cheapest	17.47	22.58	17.98	20.89
4th cheapest	15.01	19.31	13.93	18.81
5th cheapest	12.39	16.37	10.95	15.79
Average of 3 cheapest	22.16	27.36	22.21	26.95
Average of 5 cheapest	18.77	23.55	18.30	23.09

Source: CMA analysis on Runpath price outputs.

Alternative assumption on customer segmentation

37. The results presented so far use customer segmentation 1.[12]

[12] See Appendix 2 for details on customer segmentation definitions.

38. The table below shows average gains for all accounts in the sample, by product type, for the five cheapest products in the market, using customer segmentation 2.[13,14]

39. The average gains from switching are very similar to those in customer segmentation 1.

Table 13: Monthly gains from switching to five cheapest products, GB, £ per month, using customer segmentation 2

			£ per month
		Basis of calculation	
	Excluding switching incentives	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*
Standard/Reward PCAs:			
Cheapest product	16.91	24.12	17.72
2nd cheapest	9.69	15.83	9.88
3rd cheapest	7.84	13.62	8.30
4th cheapest	6.59	12.44	6.73
5th cheapest	5.51	10.49	5.80
Average of 3 cheapest	11.48	17.86	11.97
Average of 5 cheapest	9.31	15.30	9.69
Packaged PCAs:			
Cheapest product	24.23	27.15	23.97
2nd cheapest	16.40	23.63	18.50
3rd cheapest	13.60	15.96	14.24
4th cheapest	9.13	12.86	9.51
5th cheapest	6.90	10.07	6.99
Average of 3 cheapest	18.08	22.25	18.91
Average of 5 cheapest	14.05	17.94	14.64

Source: CMA analysis on Runpath price outputs.

Alternative assumptions on unarranged overdraft balance

40. The transaction data set does not include the amount by which customers went into their unarranged overdraft, only the number of days they used an unarranged overdraft, the number of days they used an arranged overdraft and the average overdraft amount (including arranged and unarranged overdrafts).

41. Therefore, we asked Runpath to conduct its analysis assuming that customers who went into unarranged overdraft did so by at least £100, whenever it was not possible to distinguish the amount of unarranged and arranged overdraft balance. To check for the sensitivity of the analysis to this

[13] Customer segmentation 2 considers the number of DDs of each observation to be half of that in customer segmentation 1, due to data limitations.
[14] While keeping the unarranged overdraft assumption of £100 constant.

assumption, we have also conducted analysis assuming that customers who used unarranged overdrafts did so by at least £20.[15]

42. The table below shows average gains for all accounts in the sample, by product type, for the five cheapest products in the market, using the assumption of unarranged overdraft balance equal to £20.[16]

43. The results are very similar across these bases.

Table 14: Monthly gains from switching to five cheapest products, GB, using unarranged overdraft assumption of £20

£ per month

	Basis of calculation		
	Excluding switching incentives	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*
Standard/Reward PCAs:			
Cheapest product	16.91	24.12	17.73
2nd cheapest	9.69	15.84	9.88
3rd cheapest	7.84	13.62	8.30
4th cheapest	6.59	12.44	6.73
5th cheapest	5.52	10.50	5.80
Average of 3 cheapest	11.48	17.86	11.97
Average of 5 cheapest	9.31	15.30	9.69
Packaged PCAs:			
Cheapest product	24.17	27.09	23.91
2nd cheapest	16.34	23.57	18.44
3rd cheapest	13.54	15.97	14.18
4th cheapest	9.21	12.87	9.62
5th cheapest	6.93	10.05	7.00
Average of 3 cheapest	18.01	22.21	18.84
Average of 5 cheapest	14.04	17.91	14.63

Source: CMA analysis on Runpath price outputs.

Northern Ireland

44. The tables below show our results and sensitivities on gains from switching in Northern Ireland. Overall, we find that average gains from switching are slightly lower than for GB for Standard/Reward account holders, and higher for Packaged account holders. This is also true for overdraft users. As for non-overdraft users, all account-type holders have slightly smaller gains in Northern Ireland compared to GB.

45. We find similar patterns to GB, with gains from switching being generally larger for overdraft users than for non-overdraft users and increasing with the number of days in overdrafts. For credit customers, we do not find the same

[15] See Annex A of Appendix 2 for more details.
[16] While keeping the customer segmentation assumption constant.

pattern as for GB: there is no clear trend for gains from switching to increase with the size of the credit balance, unlike for GB.

Average and aggregate gains from switching

Table 15: Monthly gains from switching to five cheapest products, NI

£ per month

	Basis of calculation		
	Excluding switching incentives	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*
Standard/Reward PCAs:			
Cheapest product	14.25	22.06	14.91
2nd cheapest	7.02	13.80	6.84
3rd cheapest	5.68	12.90	5.63
4th cheapest	4.15	12.19	4.32
5th cheapest	3.15	9.48	3.63
Average of 3 cheapest	8.98	16.25	9.13
Average of 5 cheapest	6.85	14.09	7.07
Packaged PCAs:			
Cheapest product	31.09	34.04	30.94
2nd cheapest	20.89	29.74	23.55
3rd cheapest	15.87	17.68	16.49
4th cheapest	9.84	15.70	10.71
5th cheapest	6.94	12.30	7.79
Average of 3 cheapest	22.61	27.15	23.66
Average of 5 cheapest	16.93	21.89	17.90

Source: CMA analysis on Runpath price outputs.

Table 16: Distribution of average gains from switching when switching to average of five cheapest and to average of three cheapest, NI

	Average gains from switching to average of 5 cheapest products (£ per month)			*Average gains from switching to average of 3 cheapest products (£ per month)*		
	Basis of calculation			*Basis of calculation*		
	Excluding switching incentives	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*	*Excluding switching incentives*	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*
Standard/Reward PCAs:						
25th percentile	4.07	13.23	5.73	6.77	15.31	7.89
50th percentile	5.06	13.23	6.15	7.23	15.31	8.14
75th percentile	6.64	13.38	7.18	8.61	15.31	9.36
Packaged PCAs:						
25th percentile	6.60	11.18	7.63	11.00	16.33	12.64
50th percentile	22.10	27.93	23.27	28.97	33.14	29.81
75th percentile	22.10	27.93	23.27	28.97	33.14	29.81

Source: CMA analysis on Runpath price outputs.

Table 17: Yearly gains from switching to five cheapest products, NI

£ per year

	Basis of calculation		
	Excluding switching incentives	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*
Standard/Reward PCAs:			
Cheapest product	171.04	264.68	178.93
2nd cheapest	84.29	165.57	82.11
3rd cheapest	68.11	154.75	67.62
4th cheapest	49.79	146.34	51.80
5th cheapest	37.84	113.79	43.59
Average of 3 cheapest	107.81	195.00	109.56
Average of 5 cheapest	82.21	169.02	84.81
Packaged PCAs:			
Cheapest product	373.02	408.48	371.27
2nd cheapest	250.66	356.92	282.59
3rd cheapest	190.42	212.15	197.93
4th cheapest	118.09	188.42	128.54
5th cheapest	83.33	147.63	93.54
Average of 3 cheapest	271.37	325.85	283.93
Average of 5 cheapest	203.11	262.72	214.77

Source: CMA analysis on Runpath price outputs.

Table 18: Aggregate gains from switching in the market, NI

£m

	Basis of calculation		
	Excluding switching incentives	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*
Cheapest product			
Standard/Reward PCA	225	348	235
Packaged PCAs	68	74	68
Average of 3 cheapest products			
Standard/Reward PCA	142	257	144
Packaged PCAs	49	59	52
3rd cheapest product			
Standard/Reward PCA	90	204	89
Packaged PCAs	35	39	36
Average of 5 cheapest products			
Standard/Reward PCA	108	222	112
Packaged PCAs	37	48	39
5th cheapest product			
Standard/Reward PCA	50	150	57
Packaged PCAs	15	27	17

Source: CMA analysis on Runpath price outputs.
Note: Based on:

- Total number of active NI PCAs in 2014: 1,754,016.
- Assuming the UK split across account types in the UK for 2014 can be applied equally to NI and NI for the same period.
- Share of Standard/Reward PCAs in the UK in 2014: 75%.
- Share of Packaged PCAs in the UK in 2014: 10%.

Gains by customer segment and characteristics

Based on account eligibility across the market

Table 19: Average gains from switching to average cheapest products, by account type and segment, NI, five years (switching incentives)

£ per month

	Customer segment								
	Less than £500	*£1,000 to less than £1,500*	*£1,750 or more*	*<2 DDs & £500 to <£750*	*<2 DDs & £750 to <£1,000*	*<2 DDs & £1,500 to <£1,750*	*2+ DDs & £500 to <£750*	*2+ DDs & £750 to <£1,000*	*2+ DDs & £1,500 to <£1,750*
Standard/Reward PCAs:									
Cheapest product	15.10	13.76	11.69	14.70	15.86	15.78	15.19	13.77	15.10
2nd cheapest product	6.51	5.50	4.75	6.29	7.56	7.19	6.92	6.46	7.48
3rd cheapest product	5.21	4.29	3.66	5.27	6.30	6.04	6.04	5.50	6.21
4th cheapest product	3.57	2.80	2.46	3.77	4.97	4.63	4.85	4.47	5.14
5th cheapest product	3.30	2.57	2.22	3.60	4.62	4.06	3.25	3.29	3.98
Average 3 cheapest	8.94	7.85	6.70	8.75	9.91	9.67	9.38	8.58	9.60
Average 5 cheapest	6.74	5.78	4.96	6.73	7.86	7.54	7.25	6.70	7.58
Proportion of Standard and reward PCAs, per customer segment (%)	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Packaged PCAs:									
Cheapest product	23.52	37.00	37.00	-	37.00	24.97	-	30.78	32.73
2nd cheapest product	17.24	30.42	30.42	-	30.42	18.59	-	24.64	24.80
3rd cheapest product	9.73	22.00	22.00	-	22.00	11.80	-	17.16	17.83
4th cheapest product	5.11	15.34	15.34	-	15.34	6.31	-	11.48	11.93
5th cheapest product	3.86	11.58	11.58	-	11.58	3.69	-	7.96	8.95
Average 3 cheapest	16.83	29.81	29.81	-	29.81	18.45	-	24.19	25.12
Average 5 cheapest	11.89	23.27	23.27	-	23.27	13.07	-	18.40	19.25
Proportion of Packaged PCAs (%)	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA analysis on Runpath price outputs.

Based on average credit balance and average number of days in overdraft

Table 20: Average gains from switching to average cheapest products, by account type and segment, NI, five years (switching incentives)

£ per month

Average gains from switching (£ per month)	*Customer segment* 15+ days in od	*8–14 days in od*	*4–7 days in od*	*1–3 day(s) in od*	*less than £500, no od*	*£500 to less than £2,000, no od*	*£2,000 to less than £3,000, no od*	*£3,000 to less than £5,000, no od*	*£5,000 to less than £7,500, no od*	*£7,500 to less than £10,000, no od*	*£10,000 to less than £20,000, no od*	*£20,000 or more, no od*
Standard and reward PCAs:												
Cheapest product	30.56	37.81	19.93	15.15	14.09	13.95	13.79	13.23	14.18	10.33	10.64	12.78
2nd cheapest product	22.15	28.73	10.80	6.32	5.05	5.10	5.44	6.37	7.86	5.44	6.13	7.16
3rd cheapest product	19.96	26.79	9.62	5.40	4.13	4.34	4.48	4.44	5.63	3.49	4.69	4.95
4th cheapest product	18.23	24.72	8.07	3.96	2.71	3.07	3.29	3.41	4.62	2.91	3.44	3.67
5th cheapest product	17.38	24.21	7.30	3.10	2.41	2.51	2.59	2.57	3.38	2.50	2.68	2.80
Average 3 best	24.22	31.11	13.45	8.96	7.76	7.80	7.90	8.01	9.22	6.42	7.15	8.30
Average 5 best	21.66	28.45	11.14	6.79	5.68	5.79	5.92	6.00	7.13	4.93	5.52	6.27
Proportion of Standard and reward PCAs in the segment (%)	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Packaged PCAs:												
Cheapest product	23.17	20.92	18.40	35.96	14.69	32.44	6.93	-	-	33.83	13.44	61.35
2nd cheapest product	18.25	16.03	12.09	28.75	8.12	25.86	3.65	-	-	14.24	6.87	18.33
3rd cheapest product	11.27	11.01	8.63	20.66	0.00	18.50	0.00	-	-	10.02	0.00	18.17
4th cheapest product	6.60	5.14	3.55	14.29	0.00	10.23	0.00	-	-	3.95	0.00	11.75
5th cheapest product	3.58	3.98	0.55	10.78	0.00	7.72	0.00	-	-	1.10	0.00	9.50
Average 3 best	17.56	15.98	13.04	28.46	7.60	25.60	3.53	-	-	19.36	6.77	32.62
Average 5 best	12.57	11.41	8.65	22.09	4.56	18.95	2.12	-	-	12.63	4.06	23.82
Proportion of Packaged PCAs in the segment (%)	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: CMA analysis on Runpath price outputs.

Based on overdraft usage

Table 21: Average gains from switching to average cheapest products, by account type and segment, NI, five years (switching incentives)

£ per month

			Unarranged (with or without arranged)				*Arranged only*				*Unarranged only*		
Average gains from switching (£ per month)	*No overdraft*	*All overdraft users*	*1–3 days*	*4–7 days*	*8–14 days*	*15+ days*	*1–3 days*	*4–7 days*	*8–14 days*	*15+ days*	*1–3 days*	*4–7 days*	*8+ days*
Standard and reward PCAs:													
Cheapest product	13.38	18.04	17.69	23.36	40.88	33.29	14.40	18.75	24.63	25.02	17.07	27.16	47.39
2nd cheapest product	5.67	9.23	8.67	13.94	31.71	24.83	5.49	9.66	15.62	16.79	8.48	18.15	38.38
3rd cheapest product	4.42	8.12	7.58	13.07	29.68	22.77	4.69	8.43	13.61	14.90	7.27	17.04	35.12
4th cheapest product	3.19	6.61	4.75	12.20	27.18	20.41	3.53	6.97	12.45	14.32	5.12	13.03	33.04
5th cheapest product	2.58	5.77	4.25	9.71	26.71	19.87	2.60	6.44	11.78	12.78	4.45	12.88	32.77
Average 3 best	7.82	11.80	11.31	16.79	34.09	26.96	8.19	12.28	17.95	18.90	10.94	20.78	40.30
Average 5 best	5.85	9.56	8.59	14.45	31.23	24.23	6.14	10.05	15.62	16.76	8.48	17.65	37.34
Proportion of Standard and reward PCAs (%)	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Packaged PCAs:													
Cheapest product	26.83	31.62	-	19.08	22.00	18.92	37.12	17.05	18.22	27.41	20.88	-	-
2nd cheapest product	14.67	25.03	-	12.79	17.62	13.69	29.86	10.70	12.04	22.81	14.31	-	-
3rd cheapest product	9.37	17.68	-	10.07	13.50	5.86	21.63	5.76	4.77	16.69	8.03	-	-
4rt cheapest product	5.03	11.66	-	5.33	7.03	3.54	15.15	0.00	0.43	9.66	3.05	-	-
5th cheapest product	3.49	8.51	-	0.83	5.57	1.27	11.61	0.00	0.00	5.89	0.00	-	-
Average 3 best	16.96	24.78	-	13.98	17.71	12.82	29.54	11.17	11.67	22.30	14.41	-	-
Average 5 best	11.88	18.90	-	9.62	13.14	8.66	23.07	6.70	7.09	16.49	9.25	-	-
Proportion of Packaged PCAs (%)	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]	-	-

Source: CMA analysis on Runpath price outputs.

Gains by provider

Table 22: Average gains from switching to average of five cheapest and to average of three cheapest, for all observations, by account type and incumbent provider, NI

£ per month

			Average gains from switching to average of 5 cheapest products			*Average gains from switching to average of 3 cheapest products*		
			Basis of calculation			*Basis of calculation*		
Group	*Group market share (%)*		*Excluding switching incentives*	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*	*Excluding switching incentives*	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*
		Standard/Reward PCAs:						
RBSG	[✂]	Ulster Bank	4.49	13.23	5.94	6.96	15.31	7.99
RBSG	[✂]	NatWest	11.72	17.76	12.41	13.56	19.80	14.39
RBSG	[✂]	Royal Bank of Scotland	31.61	37.13	32.12	33.94	40.17	34.37
Danske Bank	[✂]	Danske Bank	6.42	14.17	6.84	8.61	16.18	9.00
Santander	[✂]	Santander	9.23	13.55	8.55	10.82	15.66	10.24
First Trust Bank (NI)	[✂]	First Trust Bank (NI)	-	-	-	-	-	-
LBG	[✂]	Halifax	10.58	17.04	11.04	12.92	19.73	13.45
LBG	[✂]	Lloyds Bank	-	-	-	-	-	-
LBG	[✂]	Bank of Scotland	8.30	14.50	8.94	10.19	16.49	10.93
Post Office	[✂]	Post Office	5.08	13.04	6.18	7.26	15.10	8.29
Nationwide BS	[✂]	Nationwide BS	2.30	9.24	2.53	3.60	11.32	4.11
Barclays	[✂]	Barclays	10.44	16.68	10.60	12.97	19.92	13.21
The Co-operative	[✂]	smile	-	-	-	-	-	-
The Co-operative	[✂]	The Co-operative Bank	4.53	12.98	5.73	6.90	15.00	7.97
HSBCG	[✂]	HSBC	7.21	13.48	8.38	9.85	16.28	11.12
HSBCG	[✂]	First Direct	7.63	12.91	8.28	10.20	15.07	11.04
HSBCG	[✂]	M&S Bank	1.28	3.64	1.27	2.03	4.48	2.03
TSB	[✂]	TSB	4.03	13.17	5.67	6.71	15.25	7.82
		Packaged PCAs:						
RBSG	[✂]	Ulster Bank	23.26	29.05	24.42	30.24	34.41	31.07
RBSG	[✂]	Royal Bank of Scotland	0.00	0.00	0.00	0.00	0.00	0.00
LBG	[✂]	Halifax	9.87	14.23	10.75	14.23	19.56	15.70
LBG	[✂]	Lloyds Bank	26.10	32.09	25.48	31.17	36.18	31.84
Nationwide BS	[✂]	Nationwide BS	5.64	8.17	6.14	9.40	13.61	10.24

Source: CMA analysis on Runpath price outputs.

Internal switching

Table 23: Monthly gains from internal switching to cheapest product, NI

	£ per month
	Basis of calculation
	Excluding switching incentives
Internal brand switching only	
– Standard/Reward PCAs	0.53
– Packaged PCAs	0.54
Internal group switching only	
– Standard/Reward PCAs	1.31
– Packaged PCAs	21.55

Source: CMA analysis on Runpath price outputs.

Sensitivities

Legacy accounts

Table 24: Monthly gains from switching to five cheapest products, NI, five years (switching incentives), calculated on three different bases

			£ per month
		Basis of calculation	
	No sensitivity	*Using historical data to calculate incumbent price for legacy account observations*	*Excluding legacy accounts altogether*
Standard/Reward PCAs:			
Cheapest product	14.91	14.68	14.89
2nd cheapest	6.84	6.62	6.89
3rd cheapest	5.63	5.42	5.72
4th cheapest	4.32	4.11	4.41
5th cheapest	3.63	3.44	3.77
Average of 3 cheapest	9.13	8.91	9.17
Average of 5 cheapest	7.07	6.85	7.14
Packaged PCAs:			
Cheapest product	30.94	31.93	21.70
2nd cheapest	23.55	24.54	14.18
3rd cheapest	16.49	17.49	8.69
4th cheapest	10.71	11.70	4.01
5th cheapest	7.79	8.79	2.18
Average of 3 cheapest	23.66	24.65	14.86
Average of 5 cheapest	17.90	18.89	10.15

Source: CMA analysis on Runpath price outputs.

Excluding price components

- *Excluding benefits*

Table 25: Monthly gains from switching to five cheapest products, NI, excluding benefits

£ per month

	Basis of calculation		
	Excluding switching incentives	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*
Standard/Reward PCAs:			
Cheapest product	2.87	10.43	3.48
2nd cheapest	2.57	11.31	1.84
3rd cheapest	2.65	12.26	1.90
4th cheapest	2.72	4.12	2.66
5th cheapest	2.79	9.40	3.34
Average of 3 cheapest	2.70	11.34	2.41
Average of 5 cheapest	2.72	9.50	2.64
Packaged PCAs:			
Cheapest product	0.81	9.71	0.81
2nd cheapest	2.54	-5.82	2.63
3rd cheapest	3.10	8.84	2.98
4th cheapest	5.98	6.79	5.48
5th cheapest	8.65	15.54	11.53
Average of 3 cheapest	2.15	4.24	2.14
Average of 5 cheapest	4.21	7.01	4.69

Source: CMA analysis on Runpath price outputs.

- *Paid and unpaid items charges*

Table 26: Monthly gains from switching to five cheapest products for unarranged overdraft users, NI

£ per month

	For unarranged overdraft users		*For unarranged overdraft users excluding paid and unpaid items charges*	
	Basis of calculation		*Basis of calculation*	
	Excluding switching incentives	*12 months (incl. switching incentives)*	*Excluding switching incentives*	*12 months (incl. switching incentives)*
Standard/Reward PCAs:				
Cheapest product	29.93	37.56	21.82	29.42
2nd cheapest	21.27	28.59	13.19	20.48
3rd cheapest	18.22	22.51	10.39	15.52
4th cheapest	17.42	21.28	9.75	15.84
5th cheapest	16.53	20.01	9.08	14.71
Average of 3 cheapest	23.14	29.55	15.13	21.81
Average of 5 cheapest	20.68	25.99	12.85	19.20
			21.82	29.42
Packaged PCAs:				
Cheapest product	21.28	22.68	20.47	24.76
2nd cheapest	10.90	21.41	12.57	20.83
3rd cheapest	7.20	£13.73	8.81	11.09
4th cheapest	5.60	8.87	4.16	10.07
5th cheapest	2.90	5.55	2.30	4.57
Average of 3 cheapest	13.13	19.27	13.95	18.90
Average of 5 cheapest	9.58	14.45	9.66	14.26

Source: CMA analysis on Runpath price outputs.

Alternative assumption on customer segmentation

Table 27: Monthly gains from switching to five cheapest products, NI, using customer segmentation 2

£ per month

	Basis of calculation		
	Excluding switching incentives	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*
Standard/Reward PCAs:			
Cheapest product	14.25	22.06	14.91
2nd cheapest	7.02	13.80	6.84
3rd cheapest	5.68	12.90	5.63
4th cheapest	4.15	12.19	4.32
5th cheapest	3.15	9.48	3.63
Average of 3 cheapest	8.98	16.25	9.13
Average of 5 cheapest	6.85	14.09	7.07
Packaged PCAs:			
Cheapest product	31.23	34.18	31.08
2nd cheapest	21.03	29.89	23.69
3rd cheapest	16.01	17.82	16.64
4th cheapest	9.91	15.84	10.78
5th cheapest	7.02	12.37	7.87
Average of 3 cheapest	22.76	27.30	23.80
Average of 5 cheapest	17.04	22.02	18.01

Source: CMA analysis on Runpath price outputs.

Alternative assumptions on unarranged overdraft balance

Table 28: Monthly gains from switching to five cheapest products, NI, using unarranged overdraft assumption of £20

£ per month

	Basis of calculation		
	Excluding switching incentives	*12 months (incl. switching incentives)*	*5 years (incl. switching incentives)*
Standard/Reward PCAs:			
Cheapest product	14.26	22.06	14.91
2nd cheapest	7.03	13.80	6.84
3rd cheapest	5.68	12.90	5.64
4th cheapest	4.15	12.20	4.32
5th cheapest	3.16	9.48	3.63
Average of 3 cheapest	8.99	16.25	9.13
Average of 5 cheapest	6.85	14.09	7.07
Packaged PCAs:			
Cheapest product	31.09	34.04	30.94
2nd cheapest	20.89	29.74	23.55
3rd cheapest	15.87	17.68	16.49
4th cheapest	9.84	15.70	10.71
5th cheapest	6.95	12.30	7.80
Average of 3 cheapest	22.62	27.16	23.66
Average of 5 cheapest	16.93	21.89	17.90

Source: CMA analysis on Runpath price outputs.