BARCLAYS

Retail Banking Market Investigation

CMA's Provisional Decision on Remedies, 17 May 2016

("Provisional Decision on Remedies")

Response on behalf of Barclays Bank PLC

7 June 2016

BARCLAYS

[✂]

1. Introduction

1.1 This submission is made on behalf of Barclays in response to the Provisional Decision on Remedies.

Timing for implementation of the remedies

1.2 Barclays recognises that the package of remedies proposed by the CMA has the potential to transform the retail banking market and that this potential arises from the remedies acting in conjunction with each other rather than in isolation. However, while some individual timescales for remedy implementation appear reasonable, their cumulative impact on the industry, at a time when there is a considerable amount of other regulatory change occurring, could be very significant. Accordingly, in Barclays' view, certain timescales may need to be reconsidered and/or sequenced by the CMA[1]. Where Barclays has requested additional time in its comments below, it does so with this in mind.

Concerns

1.3 Barclays is generally supportive of initiatives that will increase transparency, give customers more control and help them in making informed decisions. However, Barclays is concerned that there is a risk of unintended and adverse outcomes with some of the remedies as currently proposed. Barclays highlights in particular the following concerns:

- the CMA's inclusion of Barclays' emergency borrowing facility ("**Emergency Borrowing**") within the full scope of its remedies that are targeted at unarranged overdrafts. Barclays is concerned that the CMA continues to treat Emergency Borrowing as an unarranged overdraft without proper explanation justifying its approach. As Barclays has previously stated, Emergency Borrowing is an additional tier of an arranged overdraft which is agreed upfront with a customer and therefore should be considered separately from the provision of unarranged overdrafts[2].

- the CMA's proposals that certain remedies such as the open API remedy are funded by the largest providers based on market share. It is not clear on what basis the CMA is proposing market shares should be calculated, but Barclays considers that funding models should move to a diverse funding base over time in order to ensure costs are shared on a fair basis. This should involve all providers, including

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1 Barclays encourages the CMA to consider in particular the sequencing of implementation of the proposed remedies alongside other regulatory developments. Barclays recommends that the CMA and other key policy makers and regulators (including the FCA, Payment Systems Regulator ("**PSR**") and the Bank of England) consider in aggregate implementation timetables for their retail banking focused plans so that achievable timeframes for all can be planned.

2 See Barclays' response to the CMA's Supplemental Notice of possible remedies, dated 24 March 2016 ("**Barclays' Response to the Supplemental Remedies Notice**"), paragraph 6.2, [✂].

the larger challenger banks, with the costs of such remedies allocated on a proportionate basis to their market share calculated on an annual basis, subject to providers having a minimum customer base[3].

- the extent of further research work and scope for further consideration of certain remedies such as customer prompts and overdraft measures by the FCA. Under the CMA's proposals, a great deal of discretion would be given to the FCA to either amend the scope of the CMA's proposed remedies, or change their effect entirely. It is very important that the FCA's work is linked sufficiently to, and supported by, the CMA's findings on potential AECs. Given the considerable amount of customer testing that will be central to the FCA's activities, Barclays would ask that the CMA encourages the FCA to take a proportionate approach to timing and phasing.

Customer focus of the remedies

1.4 Barclays has further concerns regarding the intended focus of the remedies as currently proposed. The CMA has an opportunity to articulate the scope of its proposed remedies in a way that ensures they benefit the relevant customers fully, while allowing providers to implement the remedies in an efficient, targeted and proportionate manner.

- Many of the proposed remedies are designed to benefit SMEs. As stated by the CMA in the Provisional Decision on Remedies, businesses with a turnover of less than £6.5 million make up virtually all SMEs[4]. Several remedies focus on improving the functionality or awareness of the Current Account Switching Service ("**CASS**"), which is only available to businesses with a turnover of less than £6.5 million. Similarly the SME lending remedies are focused on lending services of less than £25,000, which are most relevant for businesses with a turnover of less than £6.5 million[5]. Further, research conducted by Nesta showed that the businesses most likely to use and benefit from comparison services were those with a turnover of less than £2 million[6]. Barclays fully understands the CMA's implicit focus on these smaller customers and suggests that the CMA makes this express by limiting those remedies that apply to SMEs to businesses with turnover of less than £6.5 million.

- As currently proposed, the provisional remedies would also apply to a small number of larger business customers, with turnover of £6.5 to 25 million. As Barclays has previously stated[7], larger medium-sized business customers (with turnover of £6.5 to 25 million) tend to have complex needs, receive negotiated

3 See comments in paragraphs 2.13 and 3.10 below.

4 "Bacs said [£6.5 million SMEs] would cover 99% of SMEs" (Provisional Decision on Remedies, paragraph 3.59).

5 [✂].

6 [✂].

7 Barclays' response to the CMA's Notice of Possible Remedies, paragraph 1.4.

rates and fees, have internal specialists and are able to draw on professional advisers. Barclays considers that the incremental cost and inefficiency of applying the CMA's proposed remedies to these larger corporate customers would be disproportionate to the benefit, if any, that those customers would gain in practice.

- Barclays also considers that private banking customers/high net worth individuals should be excluded from the CMA's proposed PCA remedies. These customers have a number of important and distinct characteristics (such as their account usage, their channel usage, and the set of providers which offer wealth/private banking services), which distinguish them from other PCA customers. As the CMA has acknowledged, the number of such accounts is small. There has been no indication that the CMA has engaged with any of the specific high net worth banking providers in the course of its investigation so the risk of unintended and adverse customer outcomes is high. As such, Barclays considers there to be no justification for applying the remedies to these customers.

Foundation Remedies

2. **Remedy 1: Measures to develop and require the adoption of open API standards and data sharing**

2.1 Barclays supports the CMA's provisional remedy to require designated banks to adopt and maintain open API standards and agrees that this will have a transformative impact on the market. Barclays also welcomes the CMA's focus on customer protection, security and redress which are crucial to the long term success of open banking.

2.2 Given Barclays' endorsement of the CMA's recommendations, Barclays has limited its comments to areas where it would encourage the CMA to consider alternative approaches.

2.3 The CMA recommends that in order "to ensure that sufficient time is available to work though the important issues associated with customers' data security and redress… the least sensitive information… should be made available by March 2017". However, the CMA goes on to recommend the release of the Midata transactional data sets by Q1 2017. While the Midata data set would be redacted (and therefore carries lower risk than unredacted data), this does not mean it is risk free. Midata shows, for example, a customer's balance, size of debits and credits, location of cash withdrawals, and overdraft limit. All of this information would be valuable to individuals engaging in fraudulent activities, enabling them to target victims for large returns, assisting in impersonating a customer for account takeovers, and aiding the social engineering of customers by pretending to be the bank with knowledge of their transactions.

2.4 The Open Banking Working Group ("**OBWG**") cautioned that the release of transactional data would "open up a new attack vector". This is a very real risk, as financial fraud losses across payment cards, remote banking and cheques totalled

£755 million in 2015; an increase of 26 per cent compared to 2014[8]. The release of the Midata data sets as APIs to myriad third parties (without governance in place) is very different to the situation today where customers upload their Midata file to a single well-established comparison site. The release of transactional data requires complex issues to be carefully considered and resolved. For example, in the absence of a governance structure to "white list" third parties, banks could provide access to customer accounts to a third party that does not meet security standards, or a fraudulent third party pretending to be legitimate. If the third party suffers a data breach, they would have no obligation to report it to the bank or the customer, and the customer would have limited recourse.

2.5 The OBWG recommended that Midata should be released as an API after the launch of the independent authority which would address these issues. Barclays strongly recommends that the CMA allows the industry additional time as recommended by the OBWG to put in place customer protections before personal data is made available to third parties. This would align with the CMA's broader assertion that sensitive data will only be made available in 2018.

2.6 The CMA has adopted the timeframes suggested by the OBWG in December 2015, without taking into account that these were set out on the basis that HMT gave the go-ahead for implementation in January 2016. As this did not happen, the industry has effectively lost considerable implementation time envisaged by the OBWG. Accordingly, in Barclays' opinion, to reflect the delay in giving the go-ahead, the deadlines for releasing APIs should be pushed back by four to seven months (the time between the original OBWG start point to the release of the CMA provisional remedies or to the CMA final report).

2.7 In making a request for additional time, [✂]. Expediting the release of transactional data without proper governance could damage the long term development of this important remedy and seriously undermine its transformative potential.

2.8 While in principle Barclays supports the release of non-sensitive data on a faster timeframe than sensitive personal data, Barclays is currently exploring with its technical teams how long it would take to make product and reference data available as an API. Barclays would caution that any efforts to harmonise data between providers are likely to add complexity and require additional time.

<u>Implementation Entity</u>

2.9 Barclays agrees that an Implementation Entity ("**IE**") would be helpful, and considers that a distinction should be drawn between short term and longer term activities.

2.10 In the short term, there is a need to galvanise the industry into delivery. Barclays considers that this would require leveraging the capability of an entity capable of delivering industry-wide infrastructure projects which should also have the

8 Financial Fraud Action UK, "Fraud the Facts 2016: the Definitive Overview of Payment Industry Fraud", page 10, available at https://fraudfacts16.financialfraudaction.org.uk/.

independence and leadership of the OBWG. As such, Barclays would suggest that Payments UK (drawing on its CASS and collaborative payments track record) sets up a group with sufficient independent governance to become the IE at least in the short term. This could be independently chaired by the co-chairs of the OBWG. Their joint leadership, alongside observers from the FCA and HMT, should ensure that implementation is realistic and yet challenging. Barclays considers that the PSR should also be an observer, given that it is proposing open APIs in payments. Alignment between these similar initiatives should reduce risk and costs.

2.11 Barclays considers that the IE should remain mindful of similar initiatives, such as Nesta, to ensure an efficient industry approach. For example, Nesta's plans for a data sandbox are very similar to the sandbox described by the OBWG. It would be helpful if one sandbox could be used for both purposes as this could realise efficiencies, thus helping with timelines.

2.12 A longer term IE solution gives rise to additional considerations and as the OBWG envisaged, there will be a requirement to evolve standards over time and to provide a governance structure for all parties. It is important to recognise that the new General Data Protection Regulation (with a 2018 implementation deadline) facilitates data mobility in a range of sectors, so it may make sense to establish a body with a wider remit than banking. Equally, there is a need to recognise that where there are standards distinct to finance, having one body to monitor and set standards should be considered.

2.13 In relation to the proposed funding of the remedies, while Barclays appreciates that the main banks will be asked to provide initial funding for the IE, Barclays considers that the model needs to move to a diverse funding base over time. This should reflect the fact that the beneficiaries of the open data environment are likely to be members of the FinTech sector, some of which are highly profitable and/or well-funded. Barclays also considers that the larger challenger banks should be included and bear the costs of such remedies proportionate to their market share each year, subject to providers having a minimum customer base, in order to ensure costs are shared on a fair basis. While the main banks will pay the vast majority of costs even under this model, Barclays has long advocated a shared funding model once the initial development is underway. This will encourage an ethos of ongoing evolution, rather than pure compliance with regulatory requirements. The CMA should also clarify further on what basis market shares would be calculated.

2.14 The CMA makes a number of references to the Second Payment Services Directive ("**PSD2**") and the work that the industry will have to undertake to comply with its provisions. Barclays cautions that PSD2 does not specify the use of APIs. While APIs may be a helpful mechanism, this relies on their acceptability under the forthcoming European Banking Authority Regulatory Technical Standards. Barclays encourages the CMA (and other UK regulators and the Government) to play an active role in the development of these rules to ensure as much alignment as possible. Any divergence would add to the cost of the CMA's provisional remedies, and impact their feasibility and proportionality.

3. **Remedy 2: Measures to enable PCA customers and SMEs to make comparisons between providers on the basis of their service quality**

3.1 Barclays broadly supports the CMA's provisional remedy to enable PCA and SME customers to make comparisons based on service quality, and the core indicators the CMA has proposed. Rather than repeat its endorsement for the CMA's recommendations, Barclays has limited its comments to areas where it encourages the CMA to consider alternative approaches.

3.2 Barclays considers that customers should only be asked for their views if they have used the channel in question, to ensure the output is meaningful. Customers will find information from customers 'like them' most relevant. For example, the views of a customer who has never banked online on the quality of digital channels are not going to be relevant to a customer who is assessing a provider based on their digital offering.

3.3 Barclays understands that the CMA is considering how service quality data should be presented to make it easy for customers to assess, and that the preference is for it to be shown as a ranking. Barclays cautions that this could be extremely misleading. It could give the impression that there is a great difference between providers even where the data may not support this, as the difference between providers may not be statistically significant. For example, if Bank A scores NPS of +60 and Bank B scores the lowest of all providers at +55, customers might assume on a ranking basis that Bank A (ranked number one) is vastly better than Bank B (ranked number 10). Barclays strongly encourages the CMA to reconsider this approach and replace it instead with a 'star' system which resonates well with customers. Research carried out for the CMA found that customers have experience of star ratings from other markets and find them to be "quick, easily comparable and easy to meaningfully sort information by"[9].

3.4 Barclays has previously suggested that the range of service quality data points should be relatively narrow to facilitate straightforward comparisons. The small range of core indicators that the CMA has identified seems to align to this principle. Barclays considers that this should also extend to the additional objective measures, as there are currently a great many listed. While recognising that the FCA will test their approaches, Barclays would encourage focusing on a select number of key customer journeys that genuinely reflect 'life with the bank'. Barclays envisages that in addition to overall NPS, branch experience, digital experience, credit and relationship management, telephony experience is also an important core indicator.

3.5 The CMA suggests for SMEs that their NPS should be based on their willingness to recommend their bank to colleagues. It might be more appropriate to consider whether they would recommend their bank to other businesses. Many businesses are sole traders or have a small number of staff, and banking relationships are not necessarily relevant to colleagues in other teams or departments.

[9] Optimisa Research, "Informing the development of communication tools designed to increase consideration of switching among PCA and SME customers", March 2016, section 5.3, page 101.

3.6 The CMA's wish to include customer recommendations of credit services is understandable (Figure 3.4, point (d)). However, this is the most challenging of the five core indicators for SMEs. Typically only around one-third of SME customers will be using finance from their BCA provider at any point in time. This makes the sampling challenges very acute, particularly for smaller providers.

3.7 In Barclays' view, the NPS survey should be used to provide additional data points. This is preferable to individual providers making their own data available because differing methodologies will result in the provision of data that is simply not meaningful for customers or third parties. Barclays suggests this is best resolved by one approach for all providers across a core set of scenarios. Therefore in addition to the CMA's proposed list of data in Figure 3.4, Barclays suggests including: making a payment, complaint handling and dealing with fraud. Barclays strongly recommends that the CMA asks the FCA to consider this approach, in place of requiring providers to release their own data.

3.8 It would also be advisable for the FCA to put in regular review points to assess usage of additional data points by, for example, PCWs. As part of this review, the FCA should 'retire' data points that are not widely used to ensure that the list evolves and remains relevant as customer behaviour changes.

3.9 While Barclays generally supports the CMA's suggestions for the list of places where providers must display their service quality indicators, Barclays considers the branch based literature requirements should be reconsidered. As a channel, branches continue to decline in relevance and it would be highly costly to revise the literature every six months to reflect the latest results. Consequently, Barclays suggests these requirements are reduced in line with usage.

3.10 Barclays agrees that all PCA and BCA providers should participate in this remedy, with the costs distributed on a market share basis, subject to providers having a minimum customer base[10]. This will ensure customers have as wide a view of the market as possible.

3.11 In paragraph 3.190, the CMA states that it "may take up to six months… for core service quality data… to start being published". For a number of reasons, Barclays considers this is an unrealistically short period, particularly for SMEs[11].

3.11.1 First, the relative scale of provider involvement in the proposed survey process is on a much higher level than for existing surveys, such as Business Banking Insight ("**BBI**"), Charterhouse Business Banking and SME Finance Monitor. In existing surveys, there are typically only six to eight relevant parties on the steering groups. Given the CMA's understandable wish for broad coverage of the core measures, there are likely to be more than a dozen providers who will have a direct interest in the survey results, even allowing for the threshold

[10] For BCA providers, this could be a minimum number of 25,000 BCAs.

[11] The proposed timings for the core indicators are in marked contrast to the two years anticipated for the wide service quality measures (paragraph 3.191).

proposed in paragraph 3.186. Arriving at agreement on the selection of a research agency, the questionnaire and a suitable sampling methodology will inevitably be more protracted.

3.11.2 Second, as the CMA notes in paragraph 3.166, a number of respondents have pointed to the difficulties of ensuring that there are sufficient sample sizes for the smallest providers within scope. Barclays agrees that "it would be possible to alter survey methodology, or design a new survey which overcomes these issues", but this would almost certainly involve obtaining contact samples from providers[12], with the legal issues this would involve, including data privacy. Again, this would impact on the setup time for any survey.

4. Remedy 3: Measures to increase customer awareness of the potential benefits of switching and prompt customers to consider their banking arrangements

4.1 Barclays supports the CMA's provisional remedy to prompt customers to consider their banking arrangements and has limited its comments to areas where it would encourage the CMA to consider alternative approaches.

4.2 The CMA proposes asking the FCA to assess the effectiveness of prompts by measuring their effect on customer engagement. Barclays considers that this should focus on customers' awareness and confidence in CASS. This accurately reflects the purpose of the remedy, and mirrors the objectives of the service's industry-wide promotional activity.

4.3 Barclays considers that the FCA should avoid approaches which seek to measure attitudinal and behavioural change. While awareness and understanding are heavily impacted by prompts, willingness to search and switch are impacted by a multitude of other factors outside of prompts.

4.4 The FCA might conclude due to, for example, low switching numbers that prompts are ineffective when in fact they have helped improve customer awareness of their options and ability to switch but customers are happy with their current provider (or otherwise do not want to switch). For example, Tooley Street research found that the main reason given for not switching by people who had considered doing so was that it was simply not a priority for them. In short, awareness of switching may not lead to more switching.

4.5 Barclays understands that the FCA will test the content of the prompts. At this stage, Barclays considers that communicating the benefits and rewards of switching is very difficult (for the same reasons that the CMA discounted it for a CASS mass promotional campaign). Customers are diverse so a message about, for example, financial benefits will not resonate universally. Providing suggestions about the benefits of switching relies on a high degree of knowledge of competitor products. Speaking 'for' another provider may present a conduct risk which will need careful

12 The BBI and SME Finance Monitor have both had annual samples of approximately 20,000 SMEs. This is generally considered to be close to the largest practicable size for a business survey.

consideration. For example, Barclays might present an alternative of Bank X, whilst Bank X may also be planning to close its branch nearest to the customer, or the customer may experience a poor quality of service at the relevant Bank X branch. The same principle would apply to a requirement to provide details of competitors' branches. More generally, Barclays also considers that recommending other providers would be an inappropriate message for an existing provider to give to a customer.

4.6 The FCA will also need to ensure that if providers point customers to a source of price and service comparison, it is genuinely independent – i.e., it covers the market and providers do not 'buy' their way to the top of a table.

4.7 Barclays encourages the CMA to focus on event-based prompts rather than periodic prompts. As the CMA recognises, FCA research shows that annual summaries do not lead to behaviour change, while relevant, timely information does. Barclays understands that the FCA will be asked to test effectiveness of annual summaries and suggests that this should precede any requirement to extend annual summaries to SMEs.

4.8 Barclays reiterates its previous comments that a single customer could receive multiple prompts within a short period of time if numerous trigger events occur, or the same trigger event appears repeatedly. The same information sent within quick succession may be a source of irritation for customers and lose impact. Barclays suggests setting a limit on the number of prompts a customer can receive within a set period of time.

4.9 As Barclays has stated previously[13], it will be very important to set the context for customers, so that they know why they have received a prompt, and to ensure that the prompt does not give the impression that their existing provider does not want them as a customer. The way that prompts are implemented should be at the discretion of the provider, rather than prescribed by the FCA. This would be consistent with the CMA's approach regarding engagement with overdrafts, where the CMA highlights that an overly prescriptive approach is not desirable.

Current account switching package

5. **Remedy 4: Reforms to CASS governance**

5.1 Though recognising that the CMA's findings did not raise concerns about the current membership and voting structure of the CASS Management Committee, Barclays considers the measures set out by the CMA are appropriate and proportionate, and Barclays welcomes greater end-user and independent involvement.

5.2 Barclays would caution that:

[13] Barclays' Response to the Notice of Possible Remedies, paragraph 2.4.

5.2.1 There remains a need for the appropriate skill sets and experience of Management Committee members to ensure that, at its core, CASS remains a technologically resilient, controlled and well-governed service.

5.2.2 If the Management Committee is extended to include non-participants (e.g., PCWs) that are run on a fully commercial basis, there may be the potential for a conflict of interest. In particular, the approach to funding decisions needs to be carefully considered, potentially limiting those decisions purely to participants of the service, whilst the strategy and development of the service might be guided by all members of the Management Committee.

6. Remedy 5: The length of the redirection period

6.1 Barclays is supportive of the approach led by Bacs which would continue to offer a redirection service for those customers that need it, but without offering indefinite redirection for all customers and the associated risks to the integrity of the payments system (as noted by the Bank of England).

6.2 In addition to the enhancements to the redirection period, Barclays highlights that there are also opportunities to address the reasons underlying the need for redirection, and in particular the updating of consumer payee details by direct debit originators.

6.3 Barclays agrees with the CMA’s assessment that Account Number Portability would be a disproportionate measure in contrast to the benefits of enhancements to CASS. There is a material likelihood that it would add risk into the wider payment systems, which in turn would undermine the limited consumer support for it.

6.4 Bacs (with CASS participants) is already progressing the enhancements to the redirection period and therefore asking Bacs to provide undertakings seems pragmatic. However, Barclays highlights that reaching the solution as outlined in the Provisional Decision on Remedies will be a phased process. Phase 1 will be delivered ahead of September 2016, providing a solution for those customers who would otherwise reach the end of their 36 month redirection period. Phase 2 will deliver the complete solution in the 12 months following this, recognising that customers will continue to be protected during this period by the enhancements to the redirection period made in Phase 1.

7. Remedy 6: Provision of transaction history

7.1 The CMA suggests that the measure should be implemented for all customers upon account closure unless they explicitly choose to ‘opt-out’ and that PCA customers should be given the choice to receive the information in either paper or digital form. Identity and verification checks would be necessary for this remedy to include an electronic dimension to ensure that transactional data is not inadvertently given to the wrong customer at the risk of fraud[14].

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[14] See paragraph 10.3 of Barclays’ Response to the Notice of Possible Remedies.

7.2 As the CMA notes, Barclays already enables customers (and former customers) to access seven years of historical transactional information. Notwithstanding the provision of this optional service, Barclays reiterates its previous comment that, for many customers, automatically providing five years' worth of transactional history at account closure is unnecessary, with most 'use cases' requiring around 12 months.

7.3 For business customers, the choice of medium is not necessary nor is it practical. As previously stated, a very high proportion of SMEs are digitally active, with critical business activities carried out through digital channels. For example, SMEs have to file VAT returns online. Practically, for an SME with turnover of up to £6.5 million the transaction history could include up to 15,000 transaction and for a medium sized business printing out five years of transaction history could result in thousands of pages.

7.4 Barclays highlights that accounts are closed for a variety of reasons (including bereavement) and via a number of channels (including via post). As a result, from a practical and proportionality perspective, and to maintain security of sensitive information, Barclays suggests that the measure require PCA providers to ask customers at the point of account closure, with explicit customer consent required to release the data – i.e., an opt-in rather than an opt-out model. This would ensure that customers have access to the information if they wish (and can ask for it even after this point).

7.5 Barclays assumes that, as per the example in Figure 4.5, providers would not have to hold transactional history indefinitely, but would only be required to provide it for the preceding five years and no more (for example, a customer who closed their account six years ago would not be able to request a transaction history for the last five years of that account – i.e., for the period between 6 and 11 years previously). In relation to SMEs, Barclays would strongly suggest that, as with other proposed remedies, the scope is limited to those SMEs with turnover of less than £6.5 million. As stated at paragraph 7.3 above, for SMEs above this size five years of such records would be vast.

7.6 Barclays agrees that incorporating a solution within CASS is disproportionate given the cost and complexity associated. In addition, incorporating a solution within CASS would not provide a solution for the many customers choosing to close their account outside of CASS. Equally, not all PCA providers are participants of CASS and Barclays suggests this measure should be supported by all PCA and BCA providers in order not to introduce any perceived barrier to switching from smaller providers.

7.7 Barclays suggests that the CMA reviews this remedy in two to three years to understand how effective it has been (i.e., to assess the level of customer demand for transaction history) and to understand whether the objectives have already been achieved through the provision of open APIs.

8. Remedy 7: Measures to increase awareness of and confidence in CASS

8.1 Barclays continues to be supportive of measures to increase awareness of and confidence in CASS and considers that it is important that customers are aware that a simple and efficient solution already exists to help them to switch accounts should they so wish.

8.2 Barclays agrees that there needs to be some consideration and alignment between the messaging within the targeted prompts outlined in the Foundation Remedies and a mass promotional activity. However, Barclays would counsel against defining prescriptive wording within mass promotional activity to ensure that the creative development and approach has the greatest impact in achieving the end objectives.

8.3 Barclays supports the CMA's view that the mass promotional activity should not focus on the financial benefits of switching as it is only one reason why customers may choose to switch to a different PCA/BCA provider. Further, the financial benefits of switching may vary between customers.

8.4 Barclays agrees that the mass promotional activity should seek to raise awareness of the items that matter most to customers – namely that the switching service will safely, securely and conveniently guarantee to move all payments from a customer's old account to their new account. Therefore, the awareness and confidence metrics should focus on the core customer outcomes – namely that consumers are aware that the service can help them effortlessly switch providers and that they have confidence in the service, rather than testing customer recall of more specific details.

8.5 Barclays also queries whether the 75% target for confidence remains appropriate, recognising that achieving a confidence target is more challenging than an equivalent awareness target. As the CMA notes, Bacs is in the process of researching the underlying elements of confidence in order to define an appropriate confidence measure. Clearly if the metric itself is to be revised then the associated targets would also need to be reviewed accordingly, recognising the start point and the improvements achieved from activities to date.

8.6 Barclays suggests that costs will likely be substantial to support ongoing mass promotional activity[15], and to sustain the levels of awareness and confidence over the long term. Barclays highlights that this is an investment that could otherwise be made in directly enhancing the customer proposition and continuing to deliver innovative products and services – all of which is likely to drive switching more than the process.

8.7 As originally envisaged, the operating costs for CASS are recouped via a £5 fee per switch. On the basis that some element of central marketing will be needed to support the mass promotional activity, it would be reasonable that it becomes a component of the medium term operating budget. As such, Barclays suggests it is appropriate that these costs are reflected in a re-adjusted fee per switch figure.

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15 [✂].

9. **Additional measures targeted at PCA overdraft customers**

9.1 Barclays objects to the CMA's inclusion of Barclays' Emergency Borrowing facility within the full scope of its remedies targeted at unarranged overdrafts. As Barclays has previously stated, Emergency Borrowing is distinct and should be considered separately from the provision of unarranged overdrafts for the following reasons:

9.1.1 Unlike an unarranged overdraft, Emergency Borrowing is offered to new customers as an extension of their arranged overdraft facility, on an opt-in basis, up to an arranged and pre-agreed limit. It is therefore an additional tier of an arranged overdraft and bears no resemblance to unarranged overdrafts which are 'shadow limits' that customers do not know they have, are variable in amount, and are not agreed upfront.

9.1.2 Fees are fully transparent and customers are able to remove the Emergency Borrowing facility at any time without incurring any additional charges.

9.2 The CMA should provide a clear definition of unarranged overdrafts and any analysis as to why it has treated Emergency Borrowing as an unarranged overdraft, either overall or in connection with any individual remedy.

10. **Remedy 8: Measures to increase customer awareness of and engagement with their overdraft usage and charges**

10.1 Barclays is, in general, supportive of measures designed to increase customers' awareness and engagement with their overdraft and has taken several steps over recent years to enhance its overdraft proposition. The introduction of alerts, simple fee structures and grace periods will all help customers to better manage their overdraft usage and avoid fees and charges.

10.2 Barclays is supportive of testing potential measures to ensure their efficacy in driving the intended change in customer outcomes and avoid any unintended consequences. Furthermore, Barclays suggests that any future measures should focus on achieving the desired customer outcomes, without being overly prescriptive on the specific form or content of individual alerts, thereby enabling providers to continue to differentiate the manner in which they achieve those outcomes. For example, the manner in which existing alerts are characterised (table 5.1) is somewhat rigid and restrictive, both in terms of the defining characteristics of an overdraft proposition as well as the effective impact of both individual and the combined suite of alerts.

10.3 In addition, Barclays highlights that the provision of its existing alerts is linked with its core banking systems and processes. Testing multiple variations across multiple dimensions will require time and cost to implement those changes, contrary to the CMA's stated view.

10.4 In relation to communicating available funds to customers, Barclays supports the CMA's view that an available balance should be displayed without inclusion of an overdraft limit in order to aid transparency of overdraft usage.

10.5 Barclays has found that the Emergency Borrowing alert, alongside the suite of other overdraft alerts, has supported significant and measurable changes in customer behaviour and usage of their overdrafts. [✂].

10.6 In addition, the proposed remedy seeks to require PCA providers to collect mobile phone numbers from customers during account opening. Whilst this information is something Barclays looks to collect from customers as part of its existing standard account opening processes, there is nothing to compel customers to provide this information to PCA providers (indeed mobile phone coverage is not yet at 100% of the adult population). Therefore, auto-enrolment must be on a best endeavours basis where providers hold valid mobile phone numbers.

11. Remedy 9: Supplemental measures to help customers engage with and manage their overdraft usage

11.1 Barclays is fully supportive of this measure and it shares the view that it is the combination of timely information (e.g., via an alert) and the ability to take action (e.g., via a grace period) that will be most effective in changing customer behaviour as research by the FCA has highlighted.

12. Remedy 10: Measures to limit the cumulative effect of unarranged overdraft charges

12.1 As Barclays indicated in previous responses[16], a Maximum Monthly Charge ("**MMC**"), as defined within the CMA's Provisional Decision on Remedies, will bear no reality to an overdraft user's actual behaviour and cost, and hence it represents a theoretical maximum rather than a true indication for an individual customer.

12.2 Equally, as highlighted by the CMA, the introduction of an MMC creates the risk of unintended consequences and distortion whereby an overdraft user may be charged more by one provider than another even though the MMC of that provider is lower.

12.3 Barclays also highlights again the points it raised in its response to the Supplemental Remedies Notice[17], as stated above:

12.3.1 Emergency Borrowing is not an unarranged overdraft and as such should not be included in remedies relating to unarranged overdrafts; and

12.3.2 Unpaid items do not relate to the extension of credit to a customer and again should not be included in a MMC related to unarranged overdrafts.

12.4 If the CMA were to pursue this remedy, the MMC should be expressed on a monthly basis for ease of customer understanding.

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16 Barclays' Response to the CMA's Supplemental Notice of possible remedies, paragraph 6.2.

17 See paragraphs 4.1(a), 4.1(b) and 6.1 to 6.5 of Barclays' Response to the Supplemental Remedies Notice.

13. **Remedy 11: Measures to encourage PCA customers to engage more with overdraft features**

13.1 Barclays is supportive of measures to help customers engage with the features of their overdraft, including during the PCA opening process. Generally, and in line with FCA research, customers need clear and simple information upfront but also bitesize information at the time it is most relevant to them. This is why alerts about overdraft usage are so powerful. Conversely, providing customers with a vast amount of information (much of which is often driven by regulatory requirements – for example, the upcoming Payment Accounts Directive) does not resonate with customers and limits providers' ability to communicate effectively.

13.2 Barclays stresses that the proposed measures need to be considered (as the CMA has suggested) as a package and hence there are a number of other remedies that will drive greater engagement with overdrafts. Therefore any future proposals should be considered in light of the impact and outcomes of other remedies.

13.3 Barclays agrees with the CMA's view that remedies should not be overly prescriptive and is supportive of testing the appropriateness and effectiveness of individual measures – indeed the outcomes of this may lead to a view that certain measures are not warranted. Given the breadth of potential remedies and possible future measures that will be subject to customer testing, Barclays cautions that this will need careful phasing and co-ordination to ensure individual effects are properly understood and isolated from other effects. As such, a sequential programme of testing will require time, with the corresponding impact upon implementation timeframes.

14. **Remedy 12: Measures to facilitate account searching and switching**

Indication on overdraft eligibility

14.1 Barclays does not support this remedy because it does not think it will provide customers with the certain and clear information they seek. Barclays reiterates the point made in previous responses[18], and noted by the CMA in its Provisional Decision on Remedies, that if a customer is only provided with an indicative view of overdraft availability and that the size and availability of an overdraft is the predominant barrier to switching their PCA, then that customer will be looking for certainty rather than an indication. Research conducted for the CMA also shows that customers would be less inclined to use a tool that only provided a provisional indication on the likelihood of them being offered an overdraft facility[19].

14.2 Given the mixed results of consumer research on this topic, it will be essential to further validate the need for a specific solution prior to any decision to require PCA providers to implement this remedy. This is particularly pertinent in light of the fact that, as the CMA notes, the retail banking market is evolving and the advent of APIs

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18 See [✂] and paragraph 2.1(d) of Barclays' Response to the Supplemental Remedies Notice.

19 Optimisa Research, "Informing the development of communication tools designed to increase consideration of switching among PCA and SME customers", March 2016, section 6.1, page 105.

may materially alter the landscape. Accordingly, in Barclays' view the usefulness of an overdraft eligibility tool is uncertain.

A firm decision before switching

14.3 Clarity and certainty over the overdraft a customer will be offered is key information to provide to a customer before they switch. Barclays is strongly supportive of seeking undertakings from Bacs to work with CASS participants to increase the transparency and certainty of overdraft availability within the switching process. Barclays also considers that it is important that the CASS marketing activity clarifies that customers with overdrafts can use CASS.

14.4 Barclays reiterates that, in accordance with the rules of the switching service, a customer can choose to switch (and make use of CASS) at any point after opening their account. Using the switching service is not inextricably linked to the account opening or overdraft application process. Barclays submits that a customer should be in full control of the point in time and the circumstances in which they initiate a switch, and with full knowledge of what this will mean for their overdraft arrangements.

14.5 Barclays suggests this measure does not need to be a common process so much as common principles and guidelines which cover:

14.5.1 the information that is provided to a customer at the point at which they initiate a switch; and

14.5.2 assurances that a customer can initiate a switch (and choose to close their old account) at any point, whether that is during the initial account opening conversation or several months after account opening if the customer so wishes.

The additional SME remedies

15. Remedy 13: Measures to increase transparency of the cost of and eligibility for SME lending

15.1 Barclays is supportive of the broad aims of the three provisional remedies relating to SME lending: (i) the use of APRs and EARs for relevant products; (ii) the publication of product details and representative lending rates; and (iii) the creation of a loan price and eligibility indicator. The CMA has taken account of a number of the common points put forward by respondents on these issues. Nevertheless, Barclays continues to have three primary concerns about these remedies as they are presently drafted: (i) timing for implementation; (ii) coverage; and (iii) provision to third parties.

Timing

15.2 The draft remedies contain proposed timescales for implementation that are towards the low end of those set out previously by respondents. In Barclays’ view, the CMA has proposed unrealistic timescales for each component of the proposed remedy.

Barclays suggests that, for the reasons set out below, a credible implementation date for the APRs and representative rates aspects of the remedy would be around six months from the date of the final order, subject to its specific content and any changes to the scope of each component. As explained further below, due to the complexity of the price/eligibility model implementation of this aspect of the remedy will take considerably longer than six months from the date of the order as currently envisaged by the CMA.

APRs/EARs

15.3 At present Barclays uses APRs/EARs for those customers within the scope of the Consumer Credit Act (CCA), i.e. sole traders. Widening this to all SME users of relevant lending products would require changes to Barclays' IT systems, website design and customer documentation. These all have to be prepared within a broader change management framework that already has other alterations scheduled. Furthermore, there would need to be appropriate staff training to ensure the correct discussion of this change with customers.

Representative rates

15.4 The publication of representative rates would also require changes to Barclays' IT systems, with the bulk of this work relating to the final number of product characteristic combinations required by the remedy. There would also be additional complications of providing such data externally in a suitable format.

Price/eligibility tool

15.5 The CMA proposes that a price/eligibility tool be made available on relevant lenders' websites within six months of the order being made (see paragraph 6.107). This timescale was proposed even though the majority of banks indicated that it would take between 12 and 24 months to arrive at effective solutions.

15.6 From Barclays' perspective, the development of a tool to meet the requirements of this remedy would take considerably longer, even allowing for some notice prior to the order being formally enacted. The primary reason for this is that the objectives of the remedy would require the development of revised eligibility and pricing models designed to fit the format of the online tool. These changes have to be made within a carefully controlled framework. As such, it is not a process that can (or should) be hurried, particularly when the CMA's aim is for "meaningful" quotes.

15.7 The CMA should take into account the complexity of developing such a tool and the accompanying changes to IT systems in addition to the substantial challenges of making the tool available to third parties. In making this assessment Barclays is mindful of the on-going experience of secure data sharing with third parties, particularly where this is done in a wider context.

Coverage

15.8 As currently drafted, the lending remedies each cover slightly different products and segments of the SME population. Barclays considers that greater clarity and consistency of application will ensure that they are focused on those SMEs that will derive most benefit from them.

APRs/EARs

15.9 In Figure 6.1, the CMA refers to a requirement to “display on their websites rates showing the cost of these products up to the value of £25,000” and specifies APRs or EARs for this purpose[20]. However, the same section subsequently refers to the need to use these measures when advertising “SME lending” without qualification. Barclays would strongly suggest that this requirement be limited to “unsecured loans and overdrafts” as defined for representative prices.

15.10 Barclays considers that this would be proportionate given that this definition covers approximately half of all SME lending volumes and the substantial majority of those applicants where financial skills are the least developed. The CMA later describes the publication of representative prices for higher value products as “misleading or impractical”.

Representative rates

15.11 Paragraph 6.50(b) puts forward a proposal to publish representative rates for a number of size and term combinations. Barclays would strongly suggest limiting the total number of these combinations, certainly to no more than five on each dimension (25 in total) and ideally less than this[21]. Such an approach for overdrafts would be limited to size only.

Price/eligibility tool

15.12 The remedy in its present form covers both unsecured and secured term lending (along with unsecured overdrafts). While noting the discussion in paragraphs 6.78 to 6.81, Barclays considers that the inclusion of secured lending would both greatly increase the complexity of creating these tools and complicate their use by SMEs.

15.13 This increased difficulty would be for little gain in the number of applications covered. All Barclays’ term lending of up to £25,000 is on an unsecured basis but even for other relevant providers secured lending would be very much in the minority for this size range. Given this, Barclays suggests that the remedy should proceed on the basis of unsecured lending only.

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20 In Figure 6.1, the CMA states that published rates must be made available to at least 51% of customers applying for these products – the CMA has subsequently clarified that the published rates must be offered to at least 51% of customers. This is still unclear and conflicts with the FCA's definition which requires that credit would be provided under at the published rate under at least 51% of the agreements entered into.

21 In some cases, the representative prices might be based on only a few hundred term loans.

15.14 Paragraphs 6.82 and 6.83 ask whether the scope of the tool should be extended to include lending of up to £50,000. Barclays considers this to be undesirable for two reasons. First, it adds relatively little to the coverage of applications. As set out in Table 6.2, only 9% of unsecured loans and 5% of overdrafts are typically in this range. Second, as already touched on, doing this while also including secured term lending (both of which Barclays disagrees with) would significantly increase the complexity of the remedy and detract from its core beneficial role – improving the transparency of finance availability where it is most needed.

Provision to third parties

15.15 While there are challenges, Barclays is confident that information on lending products, representative rates and eligibility/pricing can be made available to designated third parties at the timings set out above. However, Barclays has considerable concerns regarding the proposed sharing of any lending algorithms.

Price/eligibility tool

15.16 In paragraphs 6.103 to 6.106, the CMA sets out three options and states that their preference is for option (a) – the direct provision of eligibility and pricing algorithms to relevant third parties. Barclays has not previously shared such business lending information with non-regulatory third parties and Barclays would strongly argue against this option.

15.17 First, these models would be commercially sensitive. The receiving platforms and websites would be in a position to see all or most models from relevant lenders. Second, this approach would rely on the effective translation of these models by the recipients. Even a minor error could result in significant differences in results from those intended, with knock-on effects for both lenders and SMEs given the CMA's emphasis on "meaningful outputs". Third, Barclays considers that there is likely to be material additional fraud risk from this option.

15.18 Given these points, Barclays considers that option (c) provides a more secure framework by permitting lenders to retain direct control over their models and reducing the risk of fraud and error.

Other items

15.19 The three issues above set out Barclays' main concerns with the SME lending remedies as presently drafted. Barclays has some additional comments regarding the eligibility/price tool.

Price/eligibility tool

15.20 Barclays agrees with the CMA's comments in paragraph 6.85 that the information required for these tools should be determined by individual lenders. However, this could potentially result in a relatively large number of questions and/or data requests facing an interested SME going to a finance platform or comparison website, of which only a subset are used by any given provider.

15.21 In paragraphs 6.99 to 6.102, the CMA sets out its thinking on the lenders who should be required to produce such tools. While Barclays understands and agrees that the costs of would be disproportionately high for small lenders, providing greater transparency for only the most substantial lenders might be unhelpful as their supply and pricing would be observable in a way that is not true of other providers' products.

15.22 Barclays considers that modifying the SME lending remedies as described above would make them more effective and less complex to implement, while providing reasonable protection for lenders commercial interests.

16. Remedy 14: Measures to facilitate comparison of SME banking products

Nesta challenge prize

16.1 Barclays is supportive of measures that improve comparability and transparency in the market for SMEs. Barclays supports the CMA's conclusion that the Nesta challenge prize offers the best way to deliver effective comparisons for SMEs. Nesta's understanding of challenge prizes, innovation, and their role on the OBWG gives them invaluable insight into the key aspects required for this remedy and they have already made substantial progress on the challenge prize framework. There should be a close relationship between this remedy and that for open APIs, including engagement with the IE as referred to in paragraph 2.11 and the plans for a data sandbox. For the latter there is the potential to have a single resource serving both API and Nesta requirements.

16.2 Rather than repeat its previous endorsement for the CMA's recommendations, Barclays has focused its comments on areas where changes to the remedy would be beneficial.

Scope

16.3 Barclays is supportive of the view that the comparison tools should include BCAs and service quality indicators. Including loans, even unsecured loans and overdrafts, does add additional complexity yet as stated in Barclays' previous submission[22] if the loan products included are limited to those regulated by the CCA and equivalent non-regulated products – unsecured term loans and overdrafts up to £25,000 – this does allow for a certain amount of standardisation to take place.

16.4 Consistent with its previous submissions[23], Barclays considers that these comparison tools should focus on the segment of the SME population where there is the greatest need. Nesta's own research has shown that the businesses to which this idea appealed the most is those with a turnover of less than £2 million[24]. Explicitly limiting the types of business for which this is relevant would help clarify the purpose of the prize and the design of the comparison tools.

[22] See paragraph 5.6 of Barclays' Response to the CMA's Notice of Possible Remedies.

[23] *Ibid.*

[24] See paragraphs 5.10 and 5.11 of Barclays' Response to the CMA's Notice of Possible Remedies.

16.5 The inclusion of loan products does add some level of complexity. This would have some impact on the prize:

16.5.1 Creation of the data sandbox element will be complicated due to the addition of company sensitive information and intellectual property.

16.5.2 As per Barclays' response to Remedy 13, Barclays is confident that information on lending products, representative rates and eligibility/pricing can be made available to designated third parties. However, Barclays has considerable concerns regarding the proposed sharing of the lending algorithms as set out in paragraph 15.17 above.

Timing

16.6 It is worth noting that the Nesta challenge prize has several interdependencies with other remedies, including the development of APIs and the collection of service quality indicators. This may lead to additional complications on timing, with sufficient allowance being given to the timing of the challenge prize to reflect the complex challenges associated with the development of these other areas.

Remedy Specifications

16.7 The CMA states in paragraph 6.138 that should the Nesta process fail to produce a suitable set of comparison tools, the CMA will oblige the industry to create and fund an SME comparison tool approved by the CMA. As previously stated[25], Barclays does not consider that a bank created comparison site would result in a satisfactory solution for SMEs. There would be reasonable questions of credibility over a bank funded site, as well as issues over the permanent funding of such a solution. There is already evidence that the open market and evolution of technology has started to create a range of comparison tools and services, for example, Funding Xchange. Barclays would suggest that should the Nesta prize not yield suitable results that the CMA reconsiders existing tools in the market and those about to be launched to understand whether they better meet the needs of SMEs.

Other proposed remedies

Soft searches

16.8 In paragraphs 6.200 to 6.203, the CMA discusses the potential detriment to SMEs considering multiple providers for their finance needs through an increased number of searches on CRA credit files. To minimise or remove this possibility, the CMA recommends the development of soft (quotation) searches for SMEs in a similar way to those that presently exist for personal lending.

16.9 While Barclays does not consider that there would be substantial detriment from this issue, Barclays agrees that it is technically possible to resolve it through a soft search

[25] See paragraphs 5.10.4 of Barclays' Response to the CMA's Notice of Possible Remedies.

mechanism and that this is likely to be addressed by ongoing work, led by HMT, to refer declined lending applications from major lenders to designated third parties – the so-called declines portal. However, Barclays also considers that it would be possible to address these concerns more directly by limiting or removing lenders ability to take recent search activity into account in their risk and pricing models. Barclays appreciates that this would be a significant step but it would have an equivalent effect and address the issue directly without the need to have an additional framework. Furthermore, as and when multiple searches become more prevalent, Barclays would expect their explanatory power to diminish and thus their role to be much reduced.

Providing SMEs with expert financial advice

16.10 Barclays supports the CMA's proposal to encourage the more effective provision of advice and support to SMEs on banking and wider financial issues. In particular, the CMA makes reference to the role of professional advisers[26] and is seeking to explore ways in which members of BBB and ICAEW can channel advice on choice of banks and sources of finance. Barclays supports the CMA's view that these entities have an important role in helping SMEs make good business decisions, however, Barclays would question in what additional ways the CMA envisages this happening as this is already an integral part of professional advisers' functions.

16.11 As noted in paragraph 6.205, accountants are typically the most trusted third parties for SMEs and are likely to have a good understanding of the financial position and objectives of their clients. As a result there is significant potential to further develop both generic advice, such as that contained in the Business Finance Guide (paragraph 6.209), and more tailored support.

17. Remedy 15: Measures to reduce incumbency advantages by increasing the sharing of SME data

17.1 Barclays agrees with the CMA's recommendation that HMT review the requirements placed on specified banks under the SBEE Act in summer 2018 in the light of wider market developments. Barclays considers that this is the minimum period required to make a valid assessment of the impact of this legislation, allowing for the CMA's final remedies and further commercially driven changes that Barclays expects to take place over the next two years.

18. Remedy 16: Measures to make account opening easier and improving the switching process

18.1 Barclays is supportive of measures that can improve the ease and simplicity for opening a BCA. However, Barclays has concerns that some of the elements suggested in the remedy to standardise the BCA opening form may restrict innovation and in turn result in a longer, more arduous customer journey. Barclays is constantly trying to improve the customer experience, reduce the time taken to open an account and simplify the overall process. [✂] Focusing on standardising the BCA opening

26 Provisional Decision on Remedies, paragraph 82.

procedures may result in the majority of processes in the industry being made longer, for the sake of standardisation. Additionally, standardisation may restrict new innovations to improve the customer experience either by new solutions being outside the confines of the prescriptive 'standard form' or by diverting resources which could be spent driving improvements to the customer journey to building a new standard form.

Types of business

18.2 In terms of the scope of the remedy and the types of business to which this remedy should be applicable, Barclays agrees with the CMA's assessment that there "are limitations in respect of implementing these to cover all categories of SMEs in this remedy". Barclays considers that the scope of this remedy should be limited to SMEs with turnover of less than £6.5 million. As set out in more detail at paragraph 1.4 above, this would cover the vast majority of SMEs and focus on those with relatively simple needs, less additional support and which are 'time poor'. Analysis of new customer flows shows that by focusing on simple entities the overwhelming majority of customers could be reached.

18.3 Sole traders and single official limited companies account for [✂] of new accounts opened each year. As well as accounting for the majority of new accounts, these involve the least complexity as:

(a) One individual is the sole director and beneficial owner of the company;

(b) A company secretary does not exist or is the same person as the director;

(c) The director is a natural person (whereas in complicated entities a director may be another business which is owned by multiple people);

(d) There are no other parties with a potential interest in the company (i.e., investors); and

(e) The company is not limited by guarantee.

18.4 Partnerships account for [✂] of accounts opened each year. There is increasing complexity with this type of entity due to additional documentary requirements, risk assessment and liability considerations.

18.5 Multi-official and complex structure limited companies account for [✂] of accounts opened each year and are more likely to have finance teams and additional support to open accounts. The greater complexity is caused by:

(a) Multi-official data capture;

(b) Extensive human intervention to support establishment of the ultimate beneficial owner (UBO) where the complex ownership structure has multiple players; and

(c) Additional documentation requirements.

Evidence requirements

18.6 Barclays agrees that there can be improved alignment on evidence requirements. Barclays supports the CMA's findings that transparency can be improved by converging the types of evidence required across each of the banks, such that the majority of businesses applying for BCAs are required to bring the same types of information (for example, passport or driving licence). Whilst Barclays is supportive of this solution, making changes to the documentary requirements will involve complex amendments and alignments of policy across financial institutions and changes to a number of interdependent back-end systems supporting the capture, checking and storage of documentation.

Communication

18.7 Barclays supports the CMA's view that more can be done to 'demystify' the account opening process. This could be achieved by clearer communication to customers on how a customer can apply for a BCA, across branch, telephony, online and mobile. This information should also aim to include guidance on what types of information will be required for each of the relevant businesses; for example, sole traders will be asked to provide information (a) about the person, (b) about the business and (c) source of funds. SMEs should also be informed as to what pieces of evidence will be required to support this application (for example, passport for ID of business owner). This information could be promoted through the following means:

18.7.1 Standard information and terminology could be deployed on all of the participating banks' websites and literature;

18.7.2 Guidance could be given through FSB and other industry bodies, either digitally or the creation of a booklet with key information and guidance; and

18.7.3 Such guidance could also be included in CASS material, with links from CASS advertising and inclusion on the CASS website https://www.simplerworld.co.uk/Pages/Home.aspx.

Remedy design considerations

What information is sourced

18.8 In principle, Barclays agrees with the CMA's assessment of the three main steps involved in opening a BCA:

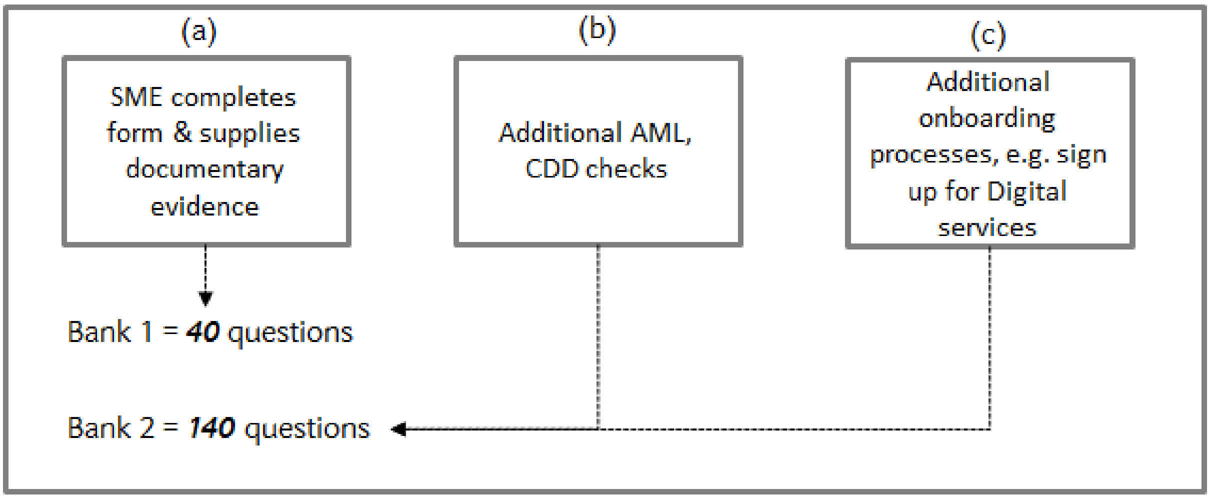
(a) SME completes account opening form and provides supporting evidence;

(b) Processing by the bank, including AML, compliance and CDD checks; and

(c) Other onboarding elements including digital services.

18.9 The CMA has stated that any standardisation should focus on element (a) and that including activities in areas (b) and (c) would not be practicable due to 'regulatory reasons or likely effect on competition'. Whilst this is sensible in theory, the practical application of this is more complicated. For example, through the ongoing work Barclays has participated in, it has become clear that each of the banks has a different approach to elements (a), (b) and (c), such that some banks include elements of (b) and (c) within the front end form that the customer has to fill in. This has resulted in a huge discrepancy in number and complexity of questions asked of the customer. Illustrated below:

Figure 1



18.10 As per [✂], seeking convergence of 80% of the front-end customer facing form would result in the majority of forms needing to be lengthened, for the sake of standardisation. However, this would not meet the CMA's core objective of simplifying and speeding up the process for an SME attempting to open an account.

18.11 These differences in process have arisen for a multitude of reasons, for example:

(a) Some financial institutions include questions which other banks would consider inherent from account behaviour once open, for example 'how will funds be arriving in your account?'. This results in Bank A monitoring the account once it is open to find out this information, while Bank B asks the questions to the SME in the account opening process.

(b) Some financial institutions ask questions that Barclays does not deem to have immediate value for risk appetite or that result from different interpretations of regulatory policy, for example [✂].

How information is sourced

18.12 Whilst the above illustrates the difficulties of agreeing 'what' questions should be asked, there are also different considerations in terms of 'how' these questions are asked. The CMA states that the banks should agree on a standard form that will be presented to small businesses to input the information. Whilst this is a fair reflection of the processes as they are today, it does not allow for future innovation to take place. Barclays is currently exploring new ways to source information 'about the person' and 'about the business' to improve the customer journey by reducing the number of questions that SMEs have to answer.

18.13 For information about the business, Barclays is currently in talks with Companies House to enable access information about registered businesses electronically. The impact of this on SMEs will be that data 'about the business' can be populated for the customers automatically in the application forms. This will result in the front-end process being shorter and simpler for SMEs. Based on Barclays' existing BCA opening process, following successful integration of Companies House data only 35% of personal data and 20% of business data (for sole traders and single directors) will need to be collected from the customer. This represents a substantial improvement in customer experience through reduced and quicker data input for the SME. However, there are risks that mandating a remedy to standardise the BCA process may result in innovations such as this being restricted.

18.14 Barclays is currently working with the Government's Digital Services ("**GDS**") department to look into innovative solutions for identifying and verifying individuals in the UK. This has involved different organisations working with the Government, with each organisation developing their own unique innovative solution. This is achieved by the Government setting the rules that need to be met, but crucially not setting how each institution meets these objectives. This allows for innovation and competition to evolve, whilst still meeting the same objective. One particular project aims to cover 20 million identities by 2020. These identities will then be available for finance applications. For example, in practice this could result in a small business owner applying for a BCA through the Barclays website, but instead of inputting all of their details they opt for a 'log in through ID services' button (which operates similar to some websites today which offer customers to 'log in through facebook'). This project is still in its infancy, but has relevance for the 'future proofing' of this remedy:

18.14.1 Should a prescriptive remedy be mandated, this would limit the applicability of an innovation that the GDS team is developing; and

18.14.2 The methodology that the GDS team is using could form a sound basis for how the CMA should consider setting this remedy, such that the ultimate objective of what the CMA is trying to achieve is made clear (i.e., speed, simplification and transparency), while still allowing for greater innovation and competing ways for each bank to meet this standard.

18.15 Many challenger banks and financial institutions have driven innovation and change in the market by focusing on improving the customer journey, speed of processing and overall experience. Barclays has previously submitted how its innovation on pre-assessed lending and instant online loans processes have been driven by changes in the market by challengers in the peer-to-peer market such as Funding Circle[27]. If the account opening process is a fixed process for all providers of BCAs this may have a detrimental impact on those that focus on driving innovative process changes.

18.16 The more prescriptive the remedy, the less scope there is for financial institutions to react to customer behaviour and deliver an improved customer experience:

(a) Opportunities for innovation and change agility would be restricted, as any changes would have to be approved and ratified across the industry before any changes could be applied; and

(b) Differing change processes and delivery timescales would result in inconsistent data sets until all institutions have applied the changes.

Timing

18.17 In the Provisional Decision on Remedies, the CMA has specified that a proposal be presented to the CMA within one month of the final report. The CMA also states that BCA providers must implement this remedy within six months of the final order. Changes to core account opening systems are incredibly complex. This is to ensure that changes are handled responsibly, successfully and at no detriment to the customer. The standard delivery life cycle that governs any changes needs to be initiated, planned, created and tested thoroughly before being deployed. The process to mobilise a change would include agreeing funding and securing resource ahead of the necessary analysis and design to understand the full impact, both technically and operationally. Even a small change would need to be applied across the entire estate (such as customer and colleague interfaces and platforms) and the subsequent impact to service would need to be assessed.

Conclusion

18.18 Barclays considers that the CMA's aims of improving *transparency, speed* and *ease* of account opening for SMEs can be achieved without restricting innovation. However, Barclays would comment that moves to compel the industry to create a standardised form are likely to result in a longer, more complicated process for the majority of SMEs and to restrict individual bank's ability to innovate and respond to customer behaviour.

18.19 To improve *transparency*, the CMA could instruct banks to develop methods to communicate to SMEs what they can expect within a BCA opening process (i.e., the questions about the person, the business and the source of funds), within which the banks should agree on an aligned set of evidence requirements for simple businesses. These messages could be promoted through CASS, FSB etc.

18.20 However, to improve *speed* and *ease*, a different approach may be beneficial. The CMA could instruct banks to:

27 See paragraph 4.5 of Barclays' response to the CMA's Issues Statement, dated 3 December 2014 and [✂].

(c) Aim for a reduced question set which the SME customer is required to fill in, resulting in a simpler and easier process for those businesses that need the most help;

(d) Develop speedier account opening processes, resulting in a genuine time-saving for SMEs; and

(e) Develop methods to encourage data sharing, be it between banks or between other institutions (for example, GDS and Companies House). Part of this process could involve agreeing to a standardised set of 'true' core questions that are critical to all banks' processes (i.e., 17 questions) as opposed to the wider definition which could lead to a far longer process for the majority of SMEs.