



CMA investigation into SME banking: British Chambers of Commerce response to provisional decision on remedies

ABOUT THE BCC

The British Chambers of Commerce (BCC) sits at the heart of a network of 52 accredited Chambers of Commerce across the UK and a fast-growing Global Business Network. In the UK, our network brings together over 70,000 member businesses, and engages with a further 200,000 non-member companies each year.

The BCC is an authentic voice for British business and a leading commentator on the UK economy, drawing on a powerful network that represents business interests in Westminster, Brussels, and in every part of the UK.

Accredited Chambers sit at the heart of local business communities, helping thousands of companies - of every size and sector - to grow and thrive. Together with our fast-growing global network, Chambers provide practical advice and support to British companies trading around the world. Chambers help businesses connect, belong, and succeed. For over 150 years, our business has been helping UK business grow.

INTRODUCTION

The BCC welcomes the opportunity to formally respond to Competition and Markets Authority (CMA) provisional decision on remedies as part of its investigation into SME banking. As things stand, our members welcomed some of the CMA's plans to boost competition in the retail banking market. This include measures that help firms compare the services available to them, particularly the CMA's endorsement of Business Banking Insight (BBI), which lets SMEs across the UK learn from the experiences of their business peers before choosing products and services from different banks. However, our members believe that the CMA should use its final report to mandate all banks to work to raise awareness of these important initiatives, including BBI, among their customers.

Our members also tell us they still believe that there are deep-rooted problems in SME finance. Feedback from our members confirms that the CMA's overall package of remedies only incrementally shifts the status quo. Many business people would have liked to see further remedies to promote competition, and a call for government to strengthen the British Business Bank to work directly with companies in the area of long-term patient finance and reviewing market restrictions for new non-bank SME finance providers. Our members would like both the CMA and the government continue to keep a close eye on the business finance market, and to act when strong firms say they cannot access the funds they need to grow.

BUSINESS BANKING INSIGHT

Feedback from our members confirms that businesses across the UK still believe that the Business Banking Insight (BBI) initiative is the most effective means of implementing Remedy 5: Enable SMEs to make comparisons between current account providers on the basis of their service quality. The BBI remains the only source of data on service quality for SMEs and although there is certainty over the provision of most of the data needed to create the 'one-stop shop' outlined in the working paper, such as pricing or customer eligibility, there remains a degree of uncertainty around the long-term provision of trusted survey data on service quality.

In order to secure the long-term future of the BBI we urge the CMA to require all banks to support this initiative by working to increase awareness of the BBI website among their customers, alongside the current account switching service.

The BCC remain supportive of the Nesta challenge prize and believe that the BBI is complementary rather than a competitor to the challenge prize process. We look forward to continuing to work closely with Nesta in order to ensure the best possible outcome for SMEs. The BCC remain open to the BBI platform entering the challenge prize process. A recent survey of SMEs found that 9 out of 10 would be very interested in information on fees and charges being added to the BBI website. Feedback also confirms that this was due to the trust in the website. Significantly, this was almost entirely down to the presence of the trusted logos (BCC, Federation of Small Businesses and HM Treasury) and they would have faith in this information being housed on the BBI website.

DATA SHARING

Our members remain concerned about the prospect of their data being shared around financial institutions. The information required must be strictly limited to the necessary information needed for the finance provider to be able to make a reasonably informed decision. There must also be a high degree of consistency between the information required by providers.

In its final report, our members would like to see the CMA outline very clear safeguards around the sharing of data by finance providers, particularly regarding the data protection risks associated with the proposed remedies related to API technology.

The CMA should continue to work closely with relevant organisations such as the Financial Conduct Authority to put in place additional protections to secure the data. For the proposed remedies to have credibility businesses must have confidence that the data: is used fairly and lawfully, for specifically stated purposes, kept for no longer than is absolutely necessary, handled according to people's data protection rights and kept safe and secure. The sharing of information must only occur with the business's express consent, otherwise it creates yet another trust issue that the financial services industry will have to overcome. Beyond the publication of its final report, the CMA must ensure that these safeguards are in place for the long term.

IMPROVING ACCESS TO FINANCE

Our members still tell us they believe that there are still deep-rooted problems in SME finance. This includes the provision of long-term funding for high growth businesses. Feedback from our members confirms that they would like to see both the CMA and the government keep a close eye on the business finance market, and to act when some of our most promising young firms say they cannot access the funds they need to grow.

Our members would also like to see the CMA signal initiatives to government that deal with some of the structural failures in SME banking. This should include such as a scaled-up British Business Bank, to help facilitate greater competition as well as helping to fix the market failure in the provision of business finance in the UK, particularly the provision of long-term financing such as patient capital. In addition, improving access to capital markets financing, a key recommendation of the Breedon Report, remains an area that still needs to be addressed.

Our members also believe that there must also be a commitment to reviewing SME market restrictions for other potential finance providers. The study would need to look at ways of improving competition in business finance through easing capital limits for building societies. Although there are currently 45 building societies with 21 million members in the UK who play a leading role in the personal finances, savings and mortgage, they are largely absent from business banking. The study would also need to look at ways to adjust capital controls for challenger banks to levels that better reflect the size of an organisation.