

The Co-operative Bank p.l.c. (the Bank)
Response to CMA's Provisional Decision on Remedies
7 June 2016

We refer to the publication of the Provisional Decision on Remedies on 17 May 2016. In response to your requirement to submit any comments on the consultation, we set out our views below for your consideration.

A key objective of the CMA review is to promote competition throughout the banking industry. There is a risk that the proposed implementation approach for some remedies could make the market less accessible for new entrants and challenger banks, and therefore less competitive.

A number of the potential remedies (for example API common banking standards and the NESTA challenge) are proposed to be developed by a small group of large banks. It is important that, as these initiatives are progressed, challenger banks are able to participate and can do so without incurring disproportionate costs.

Will the CMA facilitate challenger banks participating and becoming part of the Groups developing these remedies? If so how will the CMA do this to ensure they do not incur disproportionate costs?

For banks that do not participate how will the CMA ensure that they have visibility of the initiatives as they are designed and developed?

This would ensure challenger banks' concerns can be raised and addressed. Otherwise there is a risk that the systems developed will be designed with a level of complexity and cost that again could make the market less accessible and therefore less competitive.

The Bank is also concerned about the potentially high implementation costs and challenging timescales of some remedies given legacy IT systems across the industry and the overall scale of planned regulatory change.

Note also that some remedies will require changes to terms and conditions and therefore customer notification. The Bank currently issues changes to its PCA terms and conditions on an annual basis, this approach being driven from both a cost and customer experience perspective.

We would welcome clarification of the proposed timescale for each remedy and we would request that in setting these, the CMA considers the above challenges so that changes are sequenced to allow costs to be minimised and budgeted for over a reasonable period of time, and for changes requiring customer contact to be aligned with existing timetables for contacting customers.

With regards to the PCA overdraft remedies, we welcome the proposal for the FCA to review the account opening process as this is a key barrier to switching. We also urge the CMA to continue considerations for greater transparency on the relative cost of overdrafts by banks.

Finally, we believe that the development costs for loan eligibility tools across the industry disproportionately outweigh the benefits for SMEs. The main benefits come from transparency of rates for loan and overdraft products and we urge the CMA to focus its remedies on this area and avoid the disproportionate cost of an industry developed SME loan eligibility tool.