

6 June 2016

**Response to Competition & Markets Authority retail banking review: provisional remedies**

***Open API***

We are supportive of the creation of an open banking API. It's essential that customers have the ability to compare bank accounts based on their own usage, so that they can see which accounts are best value for them.

***Encouraging switching***

We don't believe the suggested remedies will do enough to increase switching in the current account market.

The report itself concedes that the additional guarantees around the CASS are unlikely to increase switching levels.

Consumers don't switch because they are concerned that something will go wrong – or that they will be inconvenienced (ie they will be left without a working bank card). Although the guarantee may ensure that consumers are not left out of pocket, consumers do not want to even take the risk that they may be inconvenienced – especially when most do not perceive any major problems with their existing provider (and believe all others will be similar).

Portable account numbers remove any risk that direct debits or standing orders can go astray. And they would allow people to continue using old bank cards during the transition process – so that there was no break in their service.

If switching bank was as easy as switching gas provider, many more people would be attracted by the incentives.

***Customer polling data***

We are very supportive of proposals to ensure more service data is published about banks.

We agree that creating a standardised polling methodology, and appointing a single agency to carry out and audit polling of each banks' customers would be useful.

However, we think some additional thinking is required around what questions are asked, and what the necessary minimum sample sizes would be. Net promoter score is popular with the industry, but it has its limitations.

We know from our own polling that certain brands get a boost because they are known for other things (eg M&S Bank customers transfer loyalty from their experience in M&S stores). We also know that certain brands get an unfair

advantage because of the demographic that they target (eg First Direct has mainly affluent customers as it has a minimum income requirement. This means it doesn't find itself in as many conflicts over unauthorised overdraft charges etc).

We believe questions need to be carefully targeted around specific experiences and elements of service (not simply how likely would you be to recommend).

We also think that care needs to be taken when comparisons are made to the rest of the sector. Simply giving a comparative position of a bank (eg 16<sup>th</sup> out of 25) could be unfair – particularly if there is a very small spread between the results. If the spread between 20<sup>th</sup> and 10<sup>th</sup> is 5 percentage points, then it may be overly harsh to simply list a bank as being 20<sup>th</sup> out of 25, when they are only a few points away from being 10<sup>th</sup>.

We don't think banks should be forced to publish these scorecards on their websites. And we don't think the use of star ratings would be appropriate. If these customer ratings are to be centrally curated – and effectively commissioned by the regulator – then they will be seen as official. But there is too much ambiguity around customer polling for it to be used to generate official, regulator-backed, star ratings. Furthermore, such ratings would undermine any competition in our own ratings market.

Customer polling is a valued source of insight, but there are a number of problems with it. Customers are not always the best judge of how well an organisation is doing – it depends on how long they have been a customer, their income bracket, and what kind of experiences they have had. We would be concerned if customer polling data was used in isolation.

In our own ratings, we look at complaints performance (at the Ombudsman) as well as carrying out our own transparency analysis. We believe this balanced scorecard gives a much more rounded insight into the performance of each provider.

We think the polling data should be published centrally – perhaps on the FCA website - and then should be available for third party organisations such as ourselves to manipulate. Consumers can then look at a variety of service ratings when they shop around for their new bank. Some of these maybe integrated into comparison sites, some may be on independent websites such as ours or the Move your Money site.

### ***Pricing data***

Although we did not see such a recommendation in the report, we would strongly support banks being forced to publish personalised pricing data for their customers on annual statements – showing how much a customer would have been charged by other banks if they had switched.

If a customer could see they would have saved £200 by moving their business elsewhere, this could realistically act as a trigger to switch.

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***Service metrics***

We strongly support the proposals to force banks to publish their own performance data. We look forward to feeding into the FCA's work on that as and when it looks at which metrics to focus on.

Some of the metrics which banks should be forced to publish could include:

- Average time to handle complaints
- Average call centre waiting times
- Average number of days to process overdraft applications
- Average number of days to complete Isa transfers
- Average number of days to issue new bank cards
- Annual cost of bank fraud per customer
- Amount of down time on online banking systems per month

Again, we believe this data should be published centrally by the FCA, so that organisations such as ours can manipulate it and use it to create service rankings.

**James Daley**  
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