

Handelsbanken response to CMA retail banking market investigation: provisional decision on remedies

Introduction

Handelsbanken was founded 145 years ago in Sweden and now has over 850 branches and more than 12,000 employees in 25 countries. Having first established a presence in the UK in 1982, today the bank manages a network of 207 branches across the country.¹ Judged one of the world's strongest banks, Handelsbanken has substantially increased its lending support to British businesses and households throughout the financial crisis, whilst continuing to consolidate its capital and liquidity positions.² During this period, Handelsbanken did not require or request state or shareholder support.

Handelsbanken specialises in providing highly personalised, local and competitive banking services to both businesses and individuals. In our relationship banking model, all customer-related decisions, including lending and pricing, are devolved to experienced branch teams who understand their customers' circumstances and their local market best.

Branch staff are not incentivised by targets or bonuses, helping to ensure that their advice and decisions are given with the customer's best interests in full focus. As a result, Handelsbanken has consistently maintained the highest banking customer satisfaction ratings since independent surveys began in 1989.³ This year, Handelsbanken was rated top current account provider for all sizes of SME by a Government-backed survey of 20,000 UK businesses.⁴

Framing our response

In all of our engagement with the CMA as part of this market investigation, we have sought to explain our strongly decentralised model, particularly in the context of the issues being explored.

As such, this response is framed by how the following distinct aspects of Handelsbanken's operation could be impacted by the CMA's proposed provisional remedies:

- The bespoke products and services offered by our local branch teams, which are tailored around the specific financial requirements and circumstances of our customers – both individuals and corporates (including SME).
- Competition based heavily on service quality, and not a principal focus on price, rates or incentives, noting that we cannot feature on comparison sites, given the bespoke nature of our products and services.
- A deliberately lean head office function and a flat organisational structure where branches are empowered to make decisions, and head office acts in support of them - not a typical central 'command and control' arrangement.
- A bank that grows through word-of-mouth recommendation in local communities, not through centralised national marketing or advertising campaigns aimed at customer acquisition.

This response will be kept tightly focused to those areas where we feel our view can add specific insight or value. Therefore we will not be responding to each of the proposed provisional remedies.

Foundation measures

¹ Announced branches, as per 7 May 2016

² "The World's Strongest Banks", Bloomberg Markets and Bloomberg Rankings, July 2015

³ EPSI UK Ratings and Swedish Quality Index (SKI)

⁴ Business Banking Insight survey, January 2016 <http://www.businessbankinginsight.co.uk/>, (institutions with fewer than 10 reviews have been excluded).

Handelsbanken

Great Britain

Handelsbanken is supportive of the proposal for banks to display common core indicators relating to service quality. We believe it is important to recognise that customer behaviour (and requirements) relate to broader issues than just the cost of products or the rates they receive on them.

We know that aspects such as 'quality and consistency of relationship management' and 'speed and clarity of decision making' matter particularly to SMEs. We don't know whether the indicators envisaged will ultimately help these customers get a better picture of who can provide the most suitable service for them, but we support measures to provide SMEs and others with a fuller picture than just price or eligibility.

Since our products are broadly the same as everyone else's and we don't do any central marketing or advertising, our reputation for service quality is really the only reason we've grown so rapidly.

PCA overdraft measures

We have concerns that automated alerts would do little for our customers' satisfaction, and would sit uncomfortably with the genuinely personal relationships we have with our customers. Receiving an automated prompt, by text message for example, would seem a step in the wrong direction for a bank where personal service is the norm, and more often than not is the principal driver for a customer banking with us.

Our goal is to have the most satisfied customers over the long term, and we do not believe we can achieve this by viewing penalty fees and charges as a desirable revenue stream. Instead, we support our customers in trying to avoid these. On the rare occasion a customer may be liable for a charge, their account manager will contact them to inform them of what is about to happen, and to seek a solution to avoid a potential fee from unarranged overdraft usage, or a missed charge card payment for example.

With a modest but growing presence in the UK, Handelsbanken has to date focused its resources – money and time – on building the full array of products and services expected of a full service bank. Introducing an automated system to alert those who start using an unarranged overdraft would be an onerous task for a bank of our scale, and would divert time and resource away from supporting our customers in the ways that they have requested. We would therefore urge the CMA to look to implement the highest feasible customer number threshold, to ensure that this remedy is targeted at institutions aiming to serve a mass market in more centralised, transaction-oriented ways.

Additional SME banking measures

Given the bespoke nature of our product solutions and pricing, built around the financial circumstances of each of our customers, we have not been able to appear on price comparison websites or in other price-led comparison tables. Therefore, the notion of publishing a "standard rate" for unsecured SME loans and overdrafts of up to £25,000 cuts across our model. This would be challenging to implement and of no benefit to our customers who demonstrably like our local, bespoke approach.