



MoneySuperMarket's response to the CMA's Retail banking market investigation Provisional Decision on Remedies

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MoneySuperMarket.com is the UK's leading price comparison website. We provide free, online tools to help people manage, save and grow their money, by enabling them to compare and switch Insurance, Money and Home Services products from nearly 700 providers.

MoneySuperMarket.com is part of the Moneysupermarket Group PLC, an established member of the FTSE 250 index. In 2015, we helped six million families save an estimated £1.6bn on their household bills, including 1.6m people who got a better deal on their finances and half a million households that switched their energy supplier.

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1. Introduction

The CMA's provisional decisions on remedies for the retail banking market are a step in the right direction. Many of the proposed measures, if implemented correctly, could go some way to helping overcome the problems that exist in the market for consumers. Yet the scale of the challenge that remains is significant. If we really want to get to a place where banks provide customers with quality service as standard, and where it is second nature for consumers to shop around and switch if they are dissatisfied with a service or product, we are going to need even stronger measures and deeper, sustained, cross-industry action.

As the UK's leading price comparison website, MoneySuperMarket is at the heart of this debate. We are committed to helping our customers save money by using our site to find the right deals for them. Last year we helped just under 200,000 customers switch their personal current accounts and open new ones. This year, we aim to go even further. Being a facilitator of so many switches leaves us well placed to comment on the efficacy of many of the remedies proposed by the CMA.

This response contains MoneySuperMarket's view on the CMA's approach and conclusions. It also offers specific contributions on the following elements of the remedies:

- Foundation measures
- Current account switching measures
- PCA overdrafts measures

2. Executive summary

A summary of MoneySuperMarket's comments is set out below. Further detail on our response to specific remedies is discussed in section 4:

Foundation measures

On APIs

1. We believe that the CMA should require that key intermediaries who will use a lot of the data shared via APIs (such as PCWs) should play a leading role in taking the OBWG's recommendations forward. Similarly, we also recommend that the CMA should require that the proposed entity that will oversee the OBWG's next steps should include key intermediaries like PCWs.

On Use of Prompts

2. MoneySuperMarket believes strongly that the CMA should rethink its decision to exclude PCWs from providing prompts.

Current Account Switching Measures

On CASS governance arrangements

3. MoneySuperMarket welcomes the CMA's eagerness to have consumer groups and PCWs play a role in CASS' governance. Given our financial services experience, we would welcome the opportunity to provide advice to CASS on its communications and wider strategy.

On customer awareness and confidence

4. MoneySuperMarket is very supportive of CASS and we would be delighted to explore further ways to promote awareness of the service with BACs. We would also be happy to explore opportunities to work in partnership with CASS to supply a comparison service.

PCA Overdraft measures

On the Monthly Maximum Charge (MMC)

5. MoneySuperMarket welcomes the CMA's decision to require PCA providers to specify a MMC for unarranged overdrafts or in cases where the customer exceeds their pre-arranged limit. To make sure this works properly, we would encourage the CMA to require providers present the MMC to consumers in a clear, standardised way that is easy to compare.

Account opening and switching

6. On the issue of pre-approval, MoneySuperMarket would be happy to participate in any further conversations with industry partners on this topic due to our recent moves to give customers greater certainty of likelihood of acceptance through the development of quotation services in our loans and credit card business.

3. General comments

Whilst there is still more work to be done, MoneySuperMarket believes the CMA is heading in the right direction. At the heart of the CMA's work, is an acknowledgement that the market for Personal Current Accounts (PCAs) and SME Business Current Accounts (BCAs) has not been working for consumers. MoneySuperMarket agrees with this and is encouraged to see that, in making its provisional remedies, the CMA has demonstrated a strong understanding of many of the barriers inhibiting competition and better value for consumers. In particular, the CMA cites six key blockers that are having a negative impact on consumers:

- The prevalence of complicated charging structures for many PCAs and BCAs that make it hard for customers to know when they are getting a good deal.
- A lack of 'trigger' points that alert customers to key events.
- A lack of awareness amongst customers about the service provided by CASS and persisting perceptions that switching provider can be a lengthy and onerous process.
- The CMA found charging structures for overdrafts to be particularly complicated, resulting in overdraft users being even less likely to switch.
- SME BCA customers often use the same bank that they use for their personal banking. As a result, they often have little awareness of other better offers that might exist for them in the market – something exacerbated by the fact that their PCA provider will already know a great deal about them and will be able to offer them tailored BCA services accordingly. Alternative lenders are, therefore, often at a disadvantage in pitching for their business.
- Challenger banks looking to provide competitive deals can struggle to get new customers because attracting them can be difficult and costly – an issue that impacts large, well-heeled providers much less.

MoneySuperMarket agrees with the CMA that these six barriers are holding back effective competition that works for consumers. The suite of remedies proposed by the CMA will help address them.

As a British tech company we were delighted to see the CMA place such an emphasis on the possibilities presented by open APIs. Like the CMA, we believe the intelligent use of effective APIs could revolutionise the customer experience in everyday banking and enable more competition. However, there remains a lot more to do in this space. Efforts like midata, whilst welcome, have not received the take up required. More work is therefore required to ensure consumers can benefit from open APIs – an issue we discuss in **section 4.1**. In particular, we argue that it will be particularly important to ensure that further work relating to the development of open APIs is not driven by the banking industry and is, instead, genuinely cross-industry in nature.

A further positive move has been the CMA's decision to force banks to make transactional data available (see **sections 4.1 and 4.2**). By doing this, customers will be able to make informed choices and select products that are more appropriate for their needs. Its introduction into PCAs and BCAs could greatly improve the customer experience in everyday banking.

The CMA's plans to improve the way banks communicate key issues to their customers is equally welcome. In **section 4.1**, we explain why we believe the remedies proposed by the CMA should serve the dual purpose of making customers better informed and helping improve switching rates.

Finally, we have been pleased to see the CMA pay attention to overdrafts. For too long the overdraft facilities provided by some of Britain's largest banks have not been serving the interests of the consumers but instead have been a hidden source of revenue. As we explain in **section 4.3**, the measures proposed by the CMA should help overdraft users understand that switching is a possibility for them and help them avoid any unnecessary expense.

All these measures are a good start. However, MoneySuperMarket would encourage the CMA to consider how even greater levels of transparency across the industry could complement these measures. On an operational level, real transparency should translate to consumers being able to compare like for like products, including any associated fees they might include. At a higher-level, greater transparency should mean improving general awareness levels amongst consumers about how the retail banking market works. A good example of this is the ongoing debate over 'Free if in credit (FIIC)' accounts and the widespread consumer lack of understanding about how personal and SME banking operates. We would encourage the CMA to think further about how it can address this need for greater transparency in the banking market to complement its existing proposals.

4. MoneySuperMarket's detailed response to specific CMA remedies

4.1 Foundation measures

Open APIs

MoneySuperMarket was pleased to see how central Open APIs were to the CMA's overall package of remedies. If implemented correctly, APIs could greatly improve the customer experience in everyday banking. Whilst the introduction of midata in 2014 was a positive step forward, it is clear that it is not being widely used by consumers. In turn, much more consumer friendly APIs are going to be required which is why the CMA's focus on Open APIs are so welcome.

The CMA has made it clear that it wants to see the recommendations from the Open Banking Working Group's report translated into action. Key aspects include:

- Requiring the largest PCA and BCA providers to adopt and maintain common API standards through which they will share data with other providers and third parties.
- Requiring the largest PCA and BCA providers to release and make available through open APIs, and to maintain as open data, the following information: product information on prices, charges, terms and conditions, and customer eligibility criteria in the case of loans, all PCA and relevant SME banking products; service quality indicators specified by the CMA; and appropriate reference data such as branch and ATM location, and branch opening hours.
- Requiring the largest PCA and BCA providers to release midata data sets via an open API. Subsequently, the providers should adopt and maintain open standards for APIs with full 'read and write' functionality on PCA and BCA transaction data sets.

Naturally, MoneySuperMarket expects the banks to play a leading role in taking the OBWG's recommendations forward, but we believe it is of the utmost importance that other users of the open APIs, including PCWs, are involved in their development and delivery going forward. We commend the CMA's ambition to avoid having this process bogged down by debates between market participants and, therefore, we support the CMA's proposal to create a new entity to ensure the timely delivery of this core remedy. We would encourage the CMA to ensure that a range of market players, not just the banks, are able to participate in this body once it is up and running. MoneySuperMarket would be interested in exploring ways of supporting this body once further detail has been released on next steps.

One meaningful way of demonstrating the new entity reflects a range of industry views would be to insist that a certain quota of its steering board come from consumer bodies and disruptive tech companies. Doing so, would send a signal that implementation will not be undermined by the established providers. As an alternative to a steering group to oversee implementation, the CMA could also consider instructing the regulator to oversee the implementation of open APIs to ensure that the process is managed effectively and independently.

On the publication of customer satisfaction data / Service Quality Information

The CMA's focus on improving the service quality information banks provide their customers is very welcome. Customers deserve to be made aware, in a timely and appropriate way, of key issues – such as loss of service, closure of a local branch, charges, etc - that impact the service they receive from their bank. If more customers are aware of the service levels they are receiving, it could potentially improve current account switching rates.

The CMA has recommended the following measures:

- Requiring PCA and BCA providers to display prominently core indicators of service quality, with the data collected and published biannually and made available as open data to third parties.
- A recommendation to the FCA to require all PCA and BCA providers to publish and make available to others as open data, additional objective measures of service performance, encompassing their PCA, BCA and SME lending products and principal sales/delivery channels

MoneySuperMarket agrees with both of these measures. We have experience of developing qualitative measures in other industries for customers and we would welcome the opportunity to share our thoughts with the CMA and wider industry. However, regarding the second of these two recommendations, we would encourage the CMA to consider how this could be applied to new entrants and smaller participants in a way that is not unduly onerous or unfair. The arrangements will need to be flexible enough to not misrepresent new entrants who do not have or only have a limited history of service metrics.

On the use of customer prompts

The CMA's focus on customer prompts addresses an area that, for too long, has not received sufficient attention from the major banks, resulting in customers losing out. The CMA's measures in this space will help to rectify this. In particular, the CMA has proposed a specific measure that proposes:

- A research programme undertaken by the FCA in conjunction with a selection of PCAs and BCAs to understand which prompts have the most impact on switching levels and general customer behavior.

In relation to this measure, MoneySuperMarket believes this is a worthwhile activity but was disappointed to see PCWs excluded from providing prompts. Given the excellent relationships and levels of trust PCWs like MoneySuperMarket have with consumers, we believe we could play a useful role in providing prompts. We would encourage the CMA to rethink its decision regarding this point.

4.2 Current account switching measures

MoneySuperMarket believes government and industry have made great strides in current account switching. However, like the CMA, we think there's scope for much more to be done. The CMA's focus on current account switching has centered on four areas: CASS governance; improving customer awareness and confidence; extended redirection; and access to transactions history. MoneySuperMarket has comments to make on three of these areas.

CASS governance

The CMA is seeking undertakings from BACs to strengthen the corporate governance of CASS by having an independent chair of its management committee, expanding membership of its management committee or relevant subcommittees and increasing transparency of its decisions and performance against KPIs. In addition, it has also made a recommendation to HMT to enable the Payments Systems Regulator to have regulatory oversight of CASS.

MoneySuperMarket agrees with all of these recommendations. In particular, we welcome the CMA's eagerness to have consumer groups and PCWs play a role in the governance of CASS. MoneySuperMarket would welcome the opportunity to provide advice to CASS on its communications and wider strategy. Our financial services experience, large market share and in-depth knowledge of what consumers look for when switching current account mean that we would be well placed to provide this kind of counsel.

Customer awareness and confidence

CASS remains a relatively new service trying to address a major lack of switching in personal current accounts and there remains a major opportunity to raise awareness of the good work it is doing. We are very supportive of CASS and would be delighted to explore further ways to promote awareness of their service with them. We would also be happy to explore opportunities to work in partnership with CASS to supply a comparison service.

Access to transactions history

The CMA's call to make PCA and BCA providers make transaction history available to customers at the time of, and after closing their accounts, is something that is fully supported by MoneySuperMarket.

4.3 PCA overdraft users

MoneySuperMarket is pleased to see that the regulator has paid much-needed attention to overdrafts – for far too long a cash cow for the banks at the expense of the consumer. The CMA's four proposed measures are a positive move forward. MoneySuperMarket has provided comments on each accordingly:

Monthly maximum charge (MMC)

The CMA's decision to require PCA providers to specify and publicise a monthly maximum charge (MMC) for using an unarranged overdraft facility or exceeding their arranged overdraft limit, is a welcome development. This is an area that for too long has lacked clarity and led to consumers being charged sums they were unprepared for. However, MoneySuperMarket would encourage the CMA to ensure that, when setting an MMC, providers are required to present it to consumers in a clear, standardised way that is easy to compare for TPIs like PCWs.

The CMA's further recommendation to the FCA that it undertakes work to assess the ongoing effectiveness of the MMC also makes sense. MoneySuperMarket is aware of the debate that the MMC could be set independently by the regulator but we have reservations over whether this would actually lead to best outcomes to consumers because it could reduce competition. Consequently, we believe that it makes sense for the MMC to be trialed by the banks and for the watchdog to keep a close eye on its effectiveness. What is required is a consistent, transparent and controlled process that works in the best interest of the consumer, not the banks.

Overdraft alerts

MoneySuperMarket strongly agrees with the recommendation for PCA providers to automatically enroll all their customers in alerts to inform them of unarranged overdraft usage. We agree with this because we believe that alerts can play a critical role in helping consumers save money. MoneySuperMarket also supports the CMA's recommendation to the FCA to identify, research, test and, as appropriate, implement measures to increase overdraft customers' engagement with their overdraft usage and charges.

Grace periods

MoneySuperMarket strongly supports the CMA's recommendation to require PCA providers to offer and inform customers of the opportunity to benefit from grace periods to take action to avoid or mitigate the charges resulting from unarranged overdraft use.

Account opening and switching process

The CMA has made three recommendations relating to this area. This first is a recommendation to the FCA to look at ways it can engage customers more effectively in considering overdraft features during the PCA opening process. The second is a recommendation to the FCA to consider whether, following the introduction of open APIs, it should require PCA providers to offer online tools that indicate whether a prospective customer may be eligible for an overdraft. The third relates to seeking undertakings from Bacs to work with CASS participants to review the switching process to ensure that PCA

providers offer a firm decision on the overdraft offered after a customer has completed the application process but before they switch accounts.

MoneySuperMarket strongly supports all three of these recommendations. Until now, it has been extremely difficult for customers to understand their overdraft facility and, even more difficult for a customer in an overdraft to switch their current account. In addition, when it comes to approvals, banks have not been transparent enough on who they will accept for overdrafts leading to large amounts of rejected applications and low levels of trust in switching. MoneySuperMarket believes that customers should be able to see what overdraft is available to them and whether they will be accepted before they apply. The CMA's recommendations, if implemented effectively, would bring us closer to addressing these issues and would provide customers with the knowledge they require to shop around and search for a better deal. MSM would be happy to participate in any further conversations with industry partners on this topic. We have evolved our business model in Credit Cards and Loans to give customers a strong indication of whether they will be accepted for certain products before they apply.

We would be delighted to discuss these thoughts in person with the appropriate team members at the CMA should they have any questions.