

Professor Alasdair Smith
Chair, Retail Banking Investigation
Competition and Markets Authority
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By email: retailbanking@cma.gsi.gov.uk

13 June 2016

Dear Alasdair,

Tesco Bank is one of the UK's leading challenger banks, serving over 6 million customers across the UK. We have been actively engaged throughout the Competition and Markets Authority's (CMAs) investigation, sharing insight from our experience as a new entrant into the Personal Current Account (PCA) market, as well as findings from our own consumer research.

It is clear, in our view, that the current account market is not serving customers well and we agree with many of the conclusions the CMA has reached. There are low levels of switching in the market and a lack of transparency makes it extremely difficult for customers to know both what they are paying, and how it compares to alternatives from other banks.

While we agree with the CMA's assessment of the PCA market weaknesses, and can see some value in the remedies they have proposed, we believe that much more can be done to help customers get a better deal from their current account. Customers have a right to know what they are paying for and what they receive in return and we remain concerned that the remedies proposed will not fundamentally address the key challenges that customers face when trying to select an account that is right for them.

We believe we must look beyond switching and find other ways to incentivise the banks to serve customers well. The CMA has gone some way to do that and we welcome their proposals to improve the Midata service, however, we still consider that more can be done to engage customers in the market. That is why we have argued throughout that we must increase transparency around the true cost to customers of using their current account; to engage customers in the market. We have submitted our proposal for a standardised labelling approach for current accounts, using traffic light colour coding to make it clear to customers both the cost of their account, and how it compares to others in the market. We recognise that the CMA has acknowledged such an approach as useful in some circumstance and believe it should encourage its adoption to address many of the challenges customers face in the market.

I would be happy to meet you with you to expand on these comments if that would be helpful.

Yours sincerely

David McCreadie
Managing Director