# TSB Bank plc

# Response to Provisional Decision on Remedies

**Introduction & overview**

1. This response provides TSB's views on the CMA's provisional decision on remedies (the "PDR") dated 17 May 2016, regarding its investigation into the retail banking market.

2. TSB agrees with the CMA that competition is not working effectively in the UK retail banking market, to the detriment of customers. TSB is therefore supportive of any measures that focus on the root causes of the lack of competition in UK banking and especially measures which focus on improving customer engagement, transparency and switching.

3. In particular, TSB welcomes the CMA's support for delivering the functionality of the Credit Passport through an open API.[1] This is essential for opening up the switching service to all UK consumers, and enabling overdraft users who would have the most to gain from switching, to benefit from propositions and pricing. However, TSB has a number of concerns over the CMA's plans for the implementation of APIs that will need to be addressed in order to make this remedy effective.

4. TSB is also supportive of the CMA's move to improve service quality metrics as a means to improve transparency and customer engagement with banking. The detail and methodology underpinning the implementation of this important measure, however, still needs further clarification if it is to deliver the "easily digestible…comparable measures of providers' performance" that the CMA is aiming for.[2]

5. However, TSB is disappointed that the CMA has not put greater emphasis on the Monthly Bill in the PDR. TSB contends that the Monthly Bill can deliver a real step-change in how customers perceive their PCA, providing them with a regular insight into the true cost of their banking services – similar to any other consumer industry providing services on an ongoing basis. By fostering customer understanding about the cost of their account, TSB believes that the Monthly Bill would also provide a valuable, regular prompt to customers to consider whether they might be able to obtain a better deal elsewhere.

[1] Paragraph 3.44, PDR.
[2] Paragraph 3.115, PDR.

6. Overall, TSB continues to have concerns that the remedy package as a whole:

   a. will not deliver sufficient market transparency for meaningful customer engagement with their PCA – something which TSB believes the Monthly Bill would provide;[3]

   b. is contingent on the successful development, implementation and regulation of open APIs, of which the delivery is some way off in the future; and

   c. relies on the industry and/or FCA research to establish how some of these remedies will be delivered in practice – raising the risk that the impetus for meaningful change across the market may be lost.

7. TSB would also encourage the CMA, where it proposes to leave the details of these remedies to the industry and/or the FCA, to:

   a. provide clear, staged timelines which ensure the implementation of the remedies package as soon as possible;

   b. give the FCA a strong mandate and regulatory oversight role to ensure that banks implement and continue to comply with these remedies; and

   c. bring as much transparency as possible even at this initial stage as to how the CMA envisages these remedies will be implemented and by when, so that smaller providers can adapt their business practices in good time and with minimum disruption to services.

8. Please note that, as with TSB's previous submissions, this response concentrates on TSB's PCA business given that TSB is significantly larger in this market than in SME banking. TSB does, however, remain committed to providing SME banking services and hopes, going forward, to grow this business further. TSB has also focused its comments only on those remedies where it feels it could add the most value.

[3] Please see, for example, Annex I (Monthly Bill) of TSB's response to the provisional findings and possible remedies (dated 20 November 2015).

**Development of and requirement to use open API standards**

9. As noted in previous responses[4] TSB welcomes the development of open, standardised APIs. By allowing banks and other firms to access a customer's data safely, securely and without an undue burden on the customer, open APIs have the potential to foster competition between banks/financial service providers and improve customer outcomes.

10. In particular, TSB believes that an API can be used to achieve the objectives of the Credit Passport and enable those customers who feel trapped with their current provider to switch.

11. However, as outlined below, TSB has a number of concerns over the CMA's plans for the implementation of APIs that will need to be addressed in order to make this remedy effective.

12. As the CMA notes, the introduction of APIs in UK retail banking has so far been a slow process.TSB therefore welcomes the CMA's focus on ensuring API delivery so that customers can benefit from APIs as soon as feasibly possible. Given that the development of open APIs is a 'foundation measure', which underpins the rest of the CMA's remedy package (e.g. in relation to costs and service comparisons, and assisting customers to assess overdraft eligibility), it is in TSB's view absolutely essential that:

    a. the CMA establishes a robust system of governance and regulatory oversight which ensures challenger banks have a fair and equitable input into the design of and access to open APIs;

    b. the framework for open APIs is set up as soon as possible, pursuant to a mandatory timeframe imposed by the CMA; and

    c. open APIs are subsequently adopted as quickly as possible by the largest PCA providers in the UK who should also be mandated, within the same timeframe, to provide API access to those challenger banks that use their IT systems. An extended timeline, however, should be given to smaller PCA providers who choose to implement open APIs, given their relative size and resources.

13. TSB would also stress the importance of ensuring that challenger banks are involved in API discussions from the outset. This will ensure that APIs are developed in such a way that all customers can benefit from the opportunities that APIs bring, not just the customers of the largest banks and thus prevent API development from becoming a barrier to entry.

[4] See TSB's response to Questions 19 and 20 of the CMA's information request on PCA Overdrafts (provided 22 February 2016); and paragraphs 9 to 11 of TSB's response to the CMA's supplemental notice of possible remedies (provided 21 March 2016).

**Delivering the Credit Passport's objectives**

14. TSB agrees with the CMA's finding that open APIs can deliver the objectives of the Credit Passport. It also welcomes the CMA's recognition that it is important that banks share transaction history so that a customer's prospective new bank can assess the potential overdraft user's creditworthiness and so make accurate overdraft offers. However, TSB wishes to make sure that it has an equal voice to larger players from the outset of API development so that open APIs can facilitate the sharing of the type of data that the suggested Credit Passport remedy would require.

15. As TSB has noted in its previous submissions, many overdraft users feel trapped with their current provider since they cannot automatically take their overdraft with them when they switch. This is because banks do not have access to enough transaction data about a prospective customer at the point of switching to make an informed overdraft offer that reflects their underlying creditworthiness and affordability.

16. Open APIs would address this problem. Allowing prospective PCA providers to access a customer's transaction history would provide them with more relevant, sustained and accurate data than is currently available, at the point of switching. This will make it easier for a PCA provider to assess an applicant's risk profile and affordability at the point of application or enquiry and therefore make a more accurate and firm overdraft offer and increase the likelihood of a new provider being able to match a customers' existing overdraft.

17. However, as detailed below, for open APIs to be effective, it is important that they deliver the correct information and are introduced in a timely manner. This will require broad industry participation in their development, proper governance, close regulatory oversight and a mandatory implementation timeline for the largest PCA providers.

**Governance and regulatory oversight**

18. The CMA envisages that open APIs will, in time, become an essential building block in retail banking. It is therefore essential that smaller banks are invited to participate in the design of APIs from the outset and that they are not designed solely by market incumbents who have the least to gain from creating APIs that encourage a more competitive banking market.

19. It is therefore important that a robust system of governance and regulatory oversight is established which ensures that all market participants are provided with equal and timely access to the framework. Without strong governance there is a risk that the technology will not have the transformative, liberalising effect the CMA hopes, but is instead developed in such a way that it could become a barrier to entry/expansion for smaller providers. For example, it will be important that all banks can access and use information from an API that facilitates the sharing of customer transaction data as soon as this is available, as this will deliver better outcomes for overdraft users.

20. TSB agrees with the CMA that the OBWG is not an appropriate vehicle for implementation of this foundation measure. TSB also agrees that it is important to set up an independent body (the "Implementation Entity") with an independent Chair which will manage the implementation plan and the development and regulation of open APIs going forward. However, TSB does not agree that the regulator's role should be limited to that of an 'observer'.[5] For this body to be effective, it is essential that:

a. the FCA has the sole power to appoint the 'pivotal position' of independent Chair, not industry participants – otherwise there is a risk that the independent Chair will be a person nominated by the UK's largest banks (which are likely to have the loudest voice in any debate and vote on the appointment) who may take more account of their interests than those of smaller PCA providers;

b. the FCA considers independent Chair candidates that have experience in designing and delivering APIs, which may mean looking beyond the banking industry;

c. the FCA is given full regulatory oversight over the Implementation Entity, in order to ensure that access to the open API framework is provided in a fair and equal manner to all participants and adequately fulfils each bank's PSD2 obligations;

d. the independent Chair has a clear mandate to resolve disputes in the interests of the wider industry, force large banks to comply with the implementation timeline, and ensure smaller banks remain free to participate on the same terms as the largest banks; and

e. the FCA considers the value of some form of continuing regulatory oversight of open APIs after PSD2 has been implemented.

21. These safeguards will also be important to ensure that challenger banks are fully incentivised to participate in the development process from its outset.

**Funding**

22. Open APIs will represent a fundamental change in the way in which banks share data and, as noted by the CMA,[6] the cost of these changes may be disproportionately high for challenger banks. It is therefore important that APIs, which have the potential to unlock greater competition in banking, do not become a barrier to greater competition.

23. In order to ensure open APIs are developed in a non-discriminatory fashion, it is vital that challenger banks are not dissuaded from participating in the development of open APIs from the outset. To prevent this, TSB would suggest that the cost of the initial set-up of the Implementation Entity and the initial development of the open API framework is shouldered

5 Paragraph 3.91, PDR.
6 Paragraph 3.68, PDR.

by the UK's largest providers which are required to participate by the CMA up until the PSD2 requirements are met. Any ongoing costs of the Implementation Entity or APIs thereafter could then be shared by all banks which choose to participate in the implementation of open APIs, in proportion to each PCA provider's market share, as envisaged by the CMA.[7]

**Implementation**

24. TSB agrees with the CMA that it is important that open APIs are developed as quickly as possible.[8] It is therefore crucial that a firm timeline is imposed on the UK's largest banks participating in their development. Without this, there is a risk that legal and regulatory issues facing open APIs will unduly hinder development and stifle the impetus for change following the CMA's final report and order. TSB endorses the mandatory timeline suggested by the CMA – i.e. obliging the UK's largest providers to deliver the basic open API framework by Q1 2017 and full read/write access by January 2018.

25. TSB also agrees with the CMA's observations that open APIs will, and should, be adopted by the rest of the industry in due course. This will be important to foster the competition over price and services which the CMA hopes open APIs will facilitate.

26. Even though they will not be mandated to take part in the Implementation Entity, it will be important that challenger banks are involved in discussions on the design and delivery of APIs from the outset so that they can work for every type of bank.

27. To ensure that APIs can be implemented as quickly as possible by challenger banks, TSB contends that the largest providers should be mandated to give to those challenger banks that use their IT systems and wish to participate in open APIs, access to their open API infrastructure from the outset.

28. However, TSB agrees that it is appropriate that the CMA proposes to allow challenger banks to implement open APIs on a voluntary basis and in their own time (bearing in mind that they are likely to do so).[9] By following this approach the CMA is preventing API participation from becoming a barrier to entry/expansion, whereas imposing a strict implementation timeline on challenger banks potentially risks delaying or even deterring them from participating in open API development and implementation because of the scale and cost of the steps involved.

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7 Paragraph 3.93, PDR

8 As acknowledged by the CMA at paragraph 3.72, PDR.

9 Paragraphs 3.66-.3.70, PDR.

**Measures to enable PCA customers and SMEs to make service quality comparisons**

29. TSB agrees that it should be easier for customers to compare providers on the basis of service quality and believes this could lead to greater customer engagement and consideration of switching. TSB also agrees that that the service quality measure(s) should include both:

    a. a metric that shows a customer's willingness to recommend a bank, i.e. the first of the CMA's "Core Service Quality Indicators"; and

    b. more tangible, objective metrics which measure facets of service performance, i.e. the CMA's "Additional Service Quality Indicators".[10]

30. As well as increasing customer engagement, TSB believes that the publication of service quality data will help to drive good behaviours in banks which will want to ensure that their service quality scores are competitive.

31. However, while supportive of this remedy, in TSB's view the detail and methodology underpinning the implementation of this important measure could be clarified and improved. In order for this remedy to be effective, TSB maintains that

    a. data for all the service quality indicators should be collated, measured and disseminated by an independent third party (or if collected by the banks should have sufficiently robust regulatory oversight) in order to ensure that the results are robust and fairly presented;

    b. the FCA should have full oversight of both the collation and dissemination of both the Core and Additional Service Quality Indicators;

    c. the metrics chosen must be capable of offering a fair basis of comparison (e.g. the sample survey sizes are sufficiently large not to discriminate against smaller banks);

    d. the information gathered must be of use and interest to consumers;

    e. the information must be communicated in way that is helpful to customers; and

    f. the Core and Additional indicators are implemented as close to simultaneously as possible

32. TSB would therefore suggest that the CMA considers the following areas closely when designing its final remedy on service quality comparisons.

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10 As defined in paragraph 3.150, PDR.

**Design of Core indicators**

33. TSB agrees that a metric that shows a customer's willingness to recommend a bank account, could help to drive customer awareness of and engagement with service quality, particularly if each bank's results are displayed prominently in branches, online and in customer literature.

*Ensuring indicators have an impact*

34. The wording of the indicators will be key. They should be both clear and succinct in order to have maximum resonance with customers.

35. While a score that explains a customer's overall advocacy towards a bank will be helpful, TSB is unconvinced of the efficacy of publishing the other Core indicators, which concern the customer's willingness to recommend the bank's particular service channels. Rather than signify advocacy for a channel, these indicators are more likely to reveal that a customer has/has not had a negative experience, without providing the detail of why this is the case.

36. Rather than publish the other Core indicators, TSB contends that it may be more meaningful to customers if the Additional indicators were published more prominently. These indicators provide a more tangible demonstration of the particular strengths or weaknesses of a bank's channel and service offering.

37. In order to ensure that the Indicators are impactful and engage customers, TSB also encourages the CMA to consider introducing:

a. a metric that measures the customer's willingness to recommend the bank overall, and not just their PCA; and

b. a score showing the percentage of people who would actively dissuade friends and family from using the bank overall.

*Methodology*

38. The CMA must ensure the methodology for creating the scores does not adversely affect challenger banks. TSB agrees with the CMA that the independent industry benchmarks currently available are not fit for purpose and produce unduly negative results for challenger banks.[11] This is primarily because these benchmarks do not use a large enough sample size for challenger banks to produce fair results. TSB welcomes the CMA's recognition that current survey sample sizes for smaller providers are too small.[12]

[11] Paragraph 3.134, PDR.

[12] E.g. paragraph 3.194, PDR.

39. However, the creation of an entirely new benchmark may be difficult to implement within the timescales set by the CMA (see further TSB's commentary on timing below). The CMA may therefore find it more cost-effective and proportionate to use an existing industry benchmark as the foundation of its remedy. If the CMA does take this approach, it is essential that the CMA ensures that the methodology underpinning the benchmark is amended to make it standardised and representative of all banks, regardless of their size. In particular, the survey sample size for challenger banks would need to be boosted above a nationally representative sample to provide fair results.

**Design of the Additional indicators**

40. Despite TSB's concerns over the efficacy of the channel-specific Core Service Quality Indicators listed above, TSB does recognise that customers want to understand how well a bank is performing across the channels that matter most to them. TSB would, however, contend that this could be better delivered through more tangible, unbiased metrics which measure service performance such as complaints data and telephony waiting times.

41. TSB recognises that this is what the CMA is seeking to deliver through the Additional indicators. However, TSB would call on the FCA to ensure that there is clarity, as soon as possible, over what each of the proposed Additional indicators would involve and how these would be measured – e.g. regarding the "availability of services in branches".[13] TSB would also call on the FCA to conduct testing to ensure that the facets chosen are the ones that matter most to customers. In order to ensure these Additional Service Quality Indicators are implemented as quickly as possible and without disproportionate cost, the FCA may wish to look at data sets that are already collected by the industry.[14] In particular, complaints data could be drawn directly from the data already submitted by banks to the FCA, and data on telephony waiting times could be drawn from the relevant ebenchmarkers's survey.

42. In order for this data to be effective and meaningful, moreover, it will be important that it is standardised and collected and presented in the same way by all banks.

**Presentation**

43. TSB would recommend that the CMA and/or FCA conducts research on how best to present both the Core and Additional service quality indicators to customers clearly and succinctly, so not to overload customers with information.

44. While TSB agrees that the CMA's indicator on a customer's overall willingness to recommend a PCA provider should be displayed prominently, TSB feels that the Additional indicators should be more prominently displayed than the CMA currently recommends. TSB

[13] TSB raised concerns regarding how to measure certain facets of service performance in its response to the CMA's information request on service quality metrics, provided February 2016.

[14] The CMA recognises that many providers already collect this data – paragraph 3.196, PDR.

suggests that the FCA conducts research on whether the Additional indicators should be displayed instead of the wider channel-specific Core indicators. The FCA should also consider whether to display a bank's performance against the Additional indicators through a traffic light labelling system or industry ranking.

**Governance and regulation**

45. Given the importance of ensuring that this data is collected in a way which produces fair, comparable results between operators of all sizes, TSB believes that all the service quality indicators should be measured and collected by independent industry bodies that are mandated to ensure fair treatment of challenger banks. TSB recognises that banks themselves already collect data for certain of the Additional indicators. To the extent data collection is left to the banks themselves, there must be sufficiently robust regulatory oversight (see below) to ensure this is done fairly and equally.

46. Full oversight, however, should be given to the FCA in order to ensure the correct implementation of this remedy going forward. The FCA should be given power to monitor how PCA providers collate and disseminate information for both the Core and Additional indicators. TSB notes that the FCA may in future assume responsibility for both the Core and Additional indicators.[15] While TSB understands that the CMA is assuming responsibility for the design of the Core indicators, TSB suggests that the FCA takes responsibility for regulating these Core indicators as soon as these have been implemented. This seems logical given how complementary the Core and Additional Service Quality Indicators will be once both are implemented.

**Timing**

47. While TSB welcomes a drive to improve service quality transparency as soon as possible, it is concerned that the details behind the Core indicators are undeveloped (e.g. regarding what data exactly will be collected, how it will be collected and by whom, and how this will be monitored). Some of this seems be left to further testing and/or the industry to develop prior to the adoption of the final order,[16] without transparency or sufficiently clear direction on how this will be achieved. To this end, TSB is concerned that the provisional six month implementation deadline may be difficult to fulfil – especially for smaller providers – without greater clarity from the CMA.[17]

48. Rather than have separate timelines for both the Core and Additional Indicators, TSB would recommend both sets of service quality metrics be delivered and implemented as close to as simultaneously as possible.

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15 Paragraph 2.192, PDR.

16 Paragraph 3.181, PDR.

17 Bearing in mind also that the CMA envisages banks sharing service quality information via open APIs by Q1 2017.

**Measures to increase customer awareness of the potential benefits of switching and prompt customers to consider their banking arrangements**

49. TSB supports the CMA's focus on trying to increase customer engagement, prompting customers to consider their banking options. TSB also agrees that instantaneous SMS alerts (or push mobile notifications), based on event- or situation-based triggers (such as for when a customer enters unplanned lending), can be an effective "call to action", provided that there is not an "information overload" in the number of alerts a customer receives.

50. However, TSB still maintains that a Monthly Bill would provide customers with the most effective and meaningful tool for delivering a step-change in transparency. TSB contends that it would complement event-based prompts by ensuring that all customers are provided with: (a) a regular prompt to switch, not just those customers experiencing a set-piece change in service or imminent imposition of fees; and (b) enough information about their account usage to make an informed choice about what services/benefits they require and what they cost.

**The Monthly Bill as a complement to event-based prompts**

51. As explained in TSB's response to the CMA's provisional findings and possible remedies[18] and to the CMA's supplemental notice of possible remedies,[19] TSB believes that the Monthly Bill would provide an important complement to the event and situation-based prompts that the CMA is proposing sending to the FCA for further research. In contrast to the richer and regular information provided via the Monthly Bill, these event or situation-based prompts:

a. will only be received by those customers who experience a negative change in service – rather than engaging the whole market, the majority of which is disengaged and could receive better service and value for money by switching;

b. will not necessarily reach customers who may have indirectly suffered detriment and be significantly better off if they switched (e.g. high credit balance customers who could earn better interest elsewhere);

c. are more focussed on eliciting immediate customer action for specific customers, rather than the more fundamental objective of encouraging broader market transparency over fees and deeper customer understanding as to the true cost of their PCA; and

d. are unlikely to contain sufficiently detailed, personalised information which would enable customers to see how the particular event in question has impacted the cost and benefits of their PCA or how a change in their circumstances or account usage impacts the overall cost of their banking.

18 See paragraphs 21-26 and paragraph 28 of TSB's response, dated 20 November 2015.

19 See paragraphs 17-21 of TSB's response, dated 21 March 2016.

**The Monthly Bill as a complement to improved Annual Summaries**

52. TSB agrees that Annual Summaries provide an important opportunity for customers to review their banking arrangements periodically and could be improved so that customers can better 'assess the true cost of their account.'[20] Similarly, as mentioned in previous submissions, TSB is in favour of incorporating service quality indicators into these summaries. These changes all help fulfil the objectives which underpin TSB's own Monthly Bill concept.

53. However, TSB disagrees that a monthly summary can only provide a snapshot of the costs and benefits of a PCA, from which the customer will have difficulty getting a clear view of their banking arrangements.[21] TSB believes that the Monthly Bill will provide an ongoing dialogue with the customer regarding the cost of their account, by which they can develop a greater understanding of how their account usage – which will inevitably vary between months – affects the cost of their account. It would act as the basis for a more fundamental change to the way customers assess their PCA and their awareness of the options from competing providers that they could switch to. For example, the Monthly Bill (unlike the Annual Summary) will:

   a. demonstrate how a particular period of indebtedness can significantly increase the cost of the customer's PCA – this potential increase in monthly cost, notified to the customer in the month they incur these additional charges, may prompt the customer to review their banking arrangements;

   b. provide a regular reminder to customers with high-credit balances that they are 'losing' money via interest foregone;

   c. provide a clearer, more digestible overview of the fees, charges and benefits associated with the account; and

   d. by deconstructing the current PCA model, encourage providers to compete on a broader range of product features and pricing models.

54. TSB therefore considers that the Monthly Bill could be an important complement (as opposed to a substitute) to any improved Annual Summary and supports the FCA looking into this proposal further.

55. However, it is important that the amount of detail contained in the Monthly Bill is at the correct level. Too much detail will obfuscate customers from identifying the most important fees, charges or benefits associated with their account, but too little detail could be equally misleading.

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20 Paragraph 3.257, PDR.

21 Parahraph 3.262, PDR.

56. As demonstrated in the illustrative examples provided with TSB's earlier responses,[22] TSB would propose to present this Monthly Bill in a relatively brief, standardised table. While TSB can see that certain peripheral standard messaging could be removed (e.g. regarding CASS or annual service quality metrics), to make the Monthly Bill much shorter would be to rob it of its main value – demonstrating the true cost of the customer's account use and the value of the individual benefits he/she receives.

**Timing**

57. TSB wants greater pricing transparency to be implemented as quickly as possible, in order to improve customer engagement with PCAs. It therefore hopes that the CMA in its final report and order sets a clear, staged timetable for the FCA to test and deliver this remedy as soon as possible. TSB notes that the CMA recommends that the FCA's testing is completed by the end of 2017 and that it consults on any proposed changes to its rules or guidance in the summer of 2018. TSB would encourage the CMA to consider whether periodic prompts can be tested and implemented sooner than the 2018 deadline, given that they are likely to require less lengthy testing than the larger suite of events-based prompts highlighted in the PDR.

[22] E.g. Appendix A, Annex I (Monthly Bill) to TSB's response to the CMA's provisional findings and possible remedies (dated 20 November 2015).

**Comments on other remedies**

**Improvements to and reforms of CASS**

58. TSB is supportive of any measures that would make CASS work better for the benefit of customers. As such, it broadly welcomes the suite of measures proposed by the CMA in order to make improvements to and increase awareness of CASS, including plans to extend the CASS redirection period.

59. TSB notes the CMA's plans to improve CASS Governance. TSB can see merit in PSR oversight. Any change to governance should, however, ensure that the interests of challenger banks are properly represented.

60. TSB notes that the CMA would like to increase awareness of, and confidence in CASS. TSB's own research found that only 16% of consumers had heard of CASS.[23] More worrying still, of this 16% even fewer understood what CASS does and the guarantees which it provides.

61. However, given this low awareness and understanding of CASS across the market, TSB would suggest that any campaign is designed to reach all consumers – as opposed to being targeted at only particular customer segments.

62. Any campaign should be run by CASS with expert third-party PR assistance, funded by the whole industry (based on overall PCA market share).

**Provision of transaction history to PCA and BCA customers**

63. As part of its package of improvements to CASS and the switching process, the CMA proposes that banks must make transaction history more easily available to customers, with customers automatically receiving at least five years' worth of transaction history upon closing their PCA. Banks would also be obliged to retain this transaction history and provide it on request to the customer. It is hoped that this will help reduce barriers to switching.

64. TSB believes that one of the key barriers to switching is that a customer's prospective new bank does not have sufficient information to make an informed judgment about a new customer's credit worthiness. For overdraft users this is particularly crucial, as it prevents banks from providing potential new customers certainty regarding the overdraft facility they will receive (see above 'Delivering the Credit Passport's objectives').

65. This is why, in previous submissions, TSB has proposed the Credit Passport. The Credit Passport would not only provide customers with the comfort that they will not be losing their credit history upon switching, it also ensures that prospective banks can access a customer's transaction data quickly and easily when reviewing a potential new customer's enquiry/application.

23 YouGov, survey conducted for TSB – poll of 2,019 people (2014)

66. The CMA, while seeing merit in TSB's Credit Passport solution, argues that the provision of transaction history directly to the customer is a 'simpler and less onerous solution to address the customer's concern'.[24] TSB disagrees with this assessment. While this remedy may assist customers with mortgage or loan applications, TSB does not believe that it will lead to greater levels of PCA switching. It would also be far more burdensome for the customer to switch using his/her transaction history as compared to a Credit Passport delivered through an API. This is because:

a. a customer would need to close their existing account before being given access to their transaction data – which would mean that would not get certainty over the level of their overdraft at a new provider before they switch;

b. if a customer chooses to multibank (i.e. keep open their existing account while opening a new one) they could not obtain all of their existing transaction history without closing all of their accounts;

c. as the customer would need to request, securely store and transfer this transaction history between banks (and if they multibank this would be multiple sets of data), the burden of the switching process would sit squarely with the customer.

67. Although TSB is in favour of providing customers with their transaction data, it believes the CMA's objective of reducing barriers to switching would be better served by prioritising the development of open APIs. These will facilitate the bilateral exchange of customer transaction data between banks and, in doing so, achieve the objectives of the Credit Passport.

**Provision of online overdraft eligibility tools**

68. To encourage overdraft users to switch, the CMA proposes that the FCA considers obliging all PCA providers to offer online tools that indicate whether a prospective customer may be eligible for an overdraft. As previously discussed in TSB's response to the CMA's provisional findings and notice of possible remedies, TSB is concerned that any online overdraft eligibility indicator will not generate robust enough overdraft offers to give overdraft users sufficient confidence to switch. Without the Credit Passport or an appropriate open API that delivers the functionality of the Credit Passport, any online tool may in fact dissuade overdraft users from switching because it would:

a. only be able to give rough indications of what overdraft the customers will receive;

24 Paragraph 4.166, PDR.

b. generate generally lower overdraft offers than the bank would have given should it have had access to the customer's full transaction history; and/or

c. potentially place customers under a large burden to provide the prospective new bank with a significant amount of data, just in order to obtain an indicative, non-binding overdraft offer.

69. It should also be taken into account that historical transaction data is needed to make a responsible lending decision based on what a customer can truly afford, which the Credit Passport (delivered via an open API) can provide.

70. Therefore, for this remedy to be effective, TSB agrees that is essential that the CMA prioritises the development of open APIs which the CMA recognises will greatly increase the accuracy of any overdraft offer given and reduce the burden on the customer.[25]

**Provision of a firm overdraft offer after the application process, prior to switching**

71. The CMA has provisionally decided that it will obtain undertakings from Bacs to review the account opening procedure. This is in order to see whether PCA providers can provide a firm decision on the level of the customer's overdraft facility after the new account application process, but prior to the customer switching (and closing their old account, so losing the benefit of their existing overdraft facility.)

72. While TSB is supportive of giving customers certainty over the level of their overdraft offer before they switch their account, what customers need is certainty that they will be able to have the *same level* of overdraft at their prospective provider. The most effective way of doing this is by ensuring banks have sufficient transaction data to generate accurate overdraft offers. This relies on developing the relevant open APIs as quickly as possible.

[25] Paragraph 5.230, PDR.

**Conclusions**

73. TSB agrees with the CMA that competition is not working effectively in the UK retail banking market, to the detriment of customers and is supportive of any measures that help to increase customer engagement and greater levels of switching.

74. In particular, TSB welcomes the CMA's support for delivering a Credit Passport through an open API, which is essential for opening up the switching service to all UK consumers.

75. However, TSB believes the remedies package as a whole risks not going far enough. In particular, TSB would like to see greater focus on the Monthly Bill concept in the CMA's final report and order. While fostering customer engagement via an improved suite of prompts is important, TSB remains convinced that greater transparency and customer understanding of the true cost of PCAs is a prerequisite to customers acting on any notification that their services have changed or that they are about to be charged, by switching. Without first having clarity regarding the costs of their services (and how these change according to their account usage), customers are unlikely meaningfully to engage with their accounts, other than to avoid the imminent imposition of particular fees.

76. TSB is also concerned that many of the remedies proposed still require significant development and industry/FCA testing, and are therefore unlikely to be implemented in the near term. While TSB recognises that any remedies which relate to the dissemination of customer data and customer communications must be rigorously tested in order to be targeted and effective, and avoid perverse outcomes, previous experience would show that an over-long development and trialling process can in fact serve to stifle development. Acting on the current impetus for change, TSB strongly encourages the CMA, in its final report and order, to provide as clear a steer as possible regarding when these remedies be implemented, how banks should implement them, and how compliance will be rigorously monitored in a way that does not create barriers to entry and/or competitive disadvantage for challenger banks.

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