



RACHEL REEVES MP

David Currie
Competition and Markets Authority
Victoria House
Southampton Row
London
WC1B 4AD

26 MAY 2016

25/05/2016

Dear David,

I am writing to you regarding your Retail Banking Market Investigation.

In light of the publication of the provisional decision of remedies on 17th May, I have written to the Financial Conduct Authority to express my view that the CMA's remedies simply do not go far enough to address the fundamental problem of exorbitant overdraft charges.

Although you have extended the consultation period for the proposals into June, given how far I believe the proposals fall short of what is needed, I have also now urged the FCA to take further action - in particular in setting a cap on charges on unauthorised overdrafts. I am enclosing a copy of my letter to the FCA.

Yours Sincerely,

Rachel Reeves
Member of Parliament for Leeds West



RACHEL REEVES MP

Tracey McDermott
FCA Head Office
25 The North Colonnade
London
E14 5HS

23/05/2016

Dear Tracey,

I am writing to set out my concerns regarding the Competition and Market Authority's retail banking market investigation provisional decision on remedies.

While I believe that some of the CMA's proposals are sensible, they do not go nearly far enough. In particular, it is very disappointing the CMA has not taken a stronger position on unauthorised overdraft charges. UK banks made £1.2bn from these charges in 2014 and according to MoneyFacts the average unauthorised overdraft fee now stands at £57.50 a month. The CMA's own analysis also shows that over half of overdraft users went into an unarranged overdraft in 2014, 10% of whom used it for nine months or more.

During the course of its inquiry, the CMA clearly identified the detriment faced by heavy overdraft users, yet its proposal to require banks to set a monthly maximum charge for unarranged overdrafts falls drastically short of what is needed.

I am aware that Which? has consistently called on the CMA to control the level of unarranged overdrafts, and proposes that the charges for unarranged overdrafts should be the same as for arranged overdrafts. The CMA's own analysis shows that at the moment the monthly charges for using an unarranged overdraft can be as much as 15 times higher than those for an arranged overdraft, yet given the banks are lending money in both circumstances, it seems hard to justify the disproportionate fee that someone with an unauthorised overdraft must bear.

The CMA's monthly maximum charge remedy has been portrayed as a cap on unarranged overdrafts, yet it is difficult to see it as such when banks are allowed to set the level of their own cap. Indeed, as you will be aware, some banks already limit what they charge customers. For example, Barclays charge £5 a day for emergency borrowing with a monthly cap of £35, while RBS charge £6 a day for unarranged overdraft usage with a monthly cap of £90. It is therefore hard to see how what the CMA proposes will bring about any fundamental change.

Furthermore, while it is right that consumers should be given information that enables them to compare and switch provider, the CMA acknowledges that heavy overdraft users are the least likely group to switch. I therefore fail to see how its current proposed remedy will adequately address the harm that has been identified, either through lower charges or increased switching from this group. The 'Better Markets Bill' announced in the



Queen's Speech on 18 May is aimed at "giving consumers more power and choice through faster switching" so it would seem there is more reason than ever for the FCA to address these issues that are preventing people - arguably those most at need - from switching.

The CMA has recommended that the FCA should undertake work to assess the effectiveness of the maximum monthly charge remedy, and consider whether further measures could be taken to enhance its effectiveness. However, I ask that the FCA take this opportunity to go further, and cap unarranged overdraft charges.

Some banks continue to rip off their customers with exorbitant charges for what are often minor account problems. Customers can be hit with crippling charges for small mistakes which can end up costing them £30 or £40 for going a few pounds into the red. These charges unfairly penalise account holders who are struggling to stay on top of their finances. It is unjust that banks should push them into further financial hardship just because they are keen to make a quick buck.

The CMA's announcement this week was only a provisional decision, but given that the final report must be published by 12 August, it seems unlikely that there will be any significant changes to its remedies. As such, I would urge the FCA to start the process of assessing the detrimental impact of the charges imposed on unauthorised overdrafts (which the CMA failed to do), with a view to capping such charges, immediately.

Yours Sincerely,

Rachel Reeves
Member of Parliament for Leeds West