

Competition and Markets Authority Banking Remedies

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Presentation of qualitative research findings

October 2016

Background

- **The Competition and Markets Authority (CMA) is conducting an investigation into the retail banking market.** The investigation covers both personal current accounts (PCAs) for individuals and banking for small and medium enterprises (SMEs) including business current accounts (BCAs) and loans.

- **The final report was published on 9th August 2016.** The report describes a 'remedies package' which includes measures to:
 - Enable PCA customers and SMEs to make comparisons between providers on the basis of their service quality
 - Limit the cumulative effect of unarranged overdraft charges (monthly maximum charge/MMCs) (PCA only)

- **CMA commissioned qualitative research to inform the effective communication of both remedies:**
 - to ensure that both the service quality core metrics and monthly maximum charge overdraft remedy are communicated clearly and succinctly to customers to assist their decision making.

Method - qualitative

- ❑ **Qualitative research is a method often adopted in response to a creative development brief**
- ❑ **The open and discursive nature of qualitative questioning** is a strength when exploring 'what works' (and what doesn't) when reviewing written or visual materials
- ❑ **Qualitative samples are purposive and quota-driven in nature; they are designed to achieve specific outcomes.** They therefore have no quantitative accuracy in terms of identifying proportions of populations holding stated views
- ❑ For these methodological reasons, **it is not appropriate to present qualitative findings in terms of the numbers of respondents expressing certain views**
- ❑ **We therefore describe the findings in qualitative terms**, referring to groups within our sample e.g. younger people and giving a broad sense of the weight of views e.g. 'a majority' or 'a minority'

Agenda

- **The presentation is structured in two parts:**
 - **Section 1: Service quality remedy**
 - Research objectives
 - Method and sample
 - Main findings
 - Conclusions and recommendations
 - **Section 2: Monthly maximum charge**
 - Research objectives
 - Method and sample
 - Main findings
 - Conclusions and recommendations

Section 1: Service quality remedy

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Service quality

Research objectives

- **To assess the content and presentation of service quality measures.**
 - **Content: we would like to test how data should be displayed to make it easy for customers to understand and assess.**
 - whether we should present percentages, or 'x out of 10', or level of shading of star (for example) to signify result; and
 - whether the comparison with other providers should be a ranking (5th out of 10 for example), a score for the top x providers (e.g. top 3 providers have scored over x%), or the industry average.
 - **Presentation: we would like to test how visually to show the above content such that it makes people look at it and aids at-a-glance assessments.**
 - whether a table, or star ratings, or other visual presentation resonates most with consumers.
- **To assess the prominence of message regarding independence of survey.**

Service quality

Method and sample – focus groups

- **6 extended focus groups (2 hours duration, 8 respondents)**
 - Younger Men, aged 18-25; C1C2D
 - Younger Women, aged 18-25; C1C2D
 - ABC1 Men; aged 30-49; Family Stagers
 - C2DE Women; aged 30-49; Family Stagers
 - ABC1 Women; aged 50+; Empty Nesters/Retired
 - C2DE Men; aged 50+; Empty Nesters/Retired

- **40 individual, face-to-face depth interviews, 1 hour duration, divided**
 - equally male and female
 - between different age and life stages: young singles aged 18-24 years; young family stagers aged 30-40 years; older family stagers 40-59 years; empty nesters/retired 60+ years
 - equally between socio economic groups ABC1 and C2DE

- **Interviews were conducted during September 2016 in England, Wales, Scotland and Northern Ireland**

Service quality

Method and sample – depth interviews

□ Overall, the sample included:

- banking customers from a range of ethnic minority backgrounds
- banking customers with low levels of literacy
- SME owners with a BCA, as well as banking customers using a PCA for business purposes
- a mix of banking customers: high street; supermarket; telephone and new entrants
- a mix of channel usage including: banking primarily via branch, online or telephone
- some with an overdraft; including a mix of those who currently use/do not use the overdraft
- a range of attitudinal 'mind-sets' towards considering switching, including: those either strongly considering, fairly strongly considering, broadly open to considering or not considering at the moment and excluding those who absolutely would not consider switching

Section 1: Service quality remedy

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Context

Service quality

Factors influencing views

- **The rating culture**
 - Familiarity with star ratings in various contexts
 - Growing scrutiny of the credibility of customer data
 - E.g. who is rating things and what is their agenda?

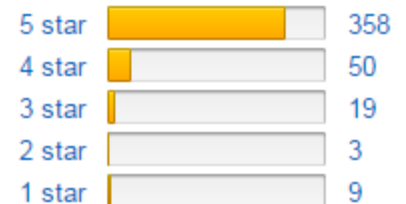
- **Individual information priorities**
 - **This is a very diverse sample in terms of their use of banks and therefore information priorities**
 - E.g. only wanting to know information about banks with local branches
 - E.g. only wanting to know information about online service quality
 - **This is also a very diverse sample in terms of comfort with figures and appetite for detail**

- **A belief that information collected and presented about service quality within a banking context needs to have gravitas**
 - Independent
 - Robust sampling

Customer Reviews

★★★★★ 439

4.7 out of 5 stars



[See all 439 customer reviews ▶](#)

Rate Example App

If you enjoy using Example App, would you mind taking a moment to rate it? It won't take more than a minute. Thanks for your support!

[Rate Example App](#)

[Remind me later](#)

[No, thanks](#)

Service quality

What does service quality look like?

In branch	Telephone	Online	Overdraft
Staff need to be polite, efficient and knowledgeable	Staff need to be friendly, polite and helpful	Easy navigation	Not being charged too much
Not too much time waiting	Call centres based in the UK	Reliability (i.e. no 'crashing' or routine maintenance)	Alerts if going overdrawn or 'over overdraft'
Sufficient numbers of staff/machines	Customers do not want to negotiate too many 'options', nor left on hold for too long	Accessible help e.g. live chat	Being flexible and understanding e.g. waiving charges if occasionally going overdrawn
Long opening hours		What services are available on app	
Privacy at the counter	Transactions completed quickly and accurately	Good security	

→ For many, 'service quality' was associated with staff; however, when prompted, respondents were easily able to describe service quality in non-staff contexts

Service quality

Considering, searching and switching

- ❑ **Those who had switched had largely been prompted to do so for financial reasons**
 - Benefits e.g. cash incentives, good interest rates
 - Dissatisfaction e.g. with charges, with interest rates
- ❑ **However, service was considered to be a factor when weighing up which bank to switch to**
- ❑ **If thinking about switching, respondents felt that they would seek information both online and in branch**
 - Many assumed that comparison websites or other independent voices e.g. Martyn Lewis and Which? would have information about service quality, as well as the banks themselves

➔ **As we have found in other research, word-of-mouth or personal recommendation is often more influential than robust, independent information**

Service quality

Sources of information

- There were a variety of sources of information respondents thought they would use if they were considering whether to make a switch and searching for information



→ There was an expectation that banks would make this information available in branch, as well as on their websites and apps

Section 1: Service quality remedy

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Learning from existing sources of
information

Service quality

Reactions to existing information (1)

Customer satisfaction for banking

Provider	Customer service	Clarity of statements	Dealing with queries and complaints	Service in branch	Telephone service	Internet service	Customer Score
First Direct	★★★★★	★★★★★	★★★★★	n/a	★★★★★	★★★★★	82%
Norwich & Peterborough BS	★★★★★	★★★★★	★★★★★	★★★★★	n/a	★★★★★	82%
Coventry Building Society	★★★★★	★★★★★	★★★★★	★★★★★	n/a	★★★★★	76%
Metro Bank	★★★★★	★★★★★	★★★★★	★★★★★	n/a	★★★★★	73%
Citibank	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	70%
Nationwide	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	69%
TSB Bank	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	68%
Marks and Spencer Bank	★★★★★	★★★★★	n/a	n/a	n/a	★★★★★	66%
Virgin Money	★★★★★	★★★★★	★★★★★	n/a	n/a	★★★★★	65%
Tesco Bank	★★★★★	★★★★★	★★★★★	n/a	n/a	★★★★★	65%
Yorkshire Bank	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	61%
Smile	★★★★★	★★★★★	★★★★★	n/a	n/a	★★★★★	64%
Bank of Ireland	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	64%
Co-operative Bank	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	63%
Halifax	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	62%
Santander	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	62%
Lloyds Bank	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	59%
HSBC	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	58%

✓ Specific areas of service

✓ Overall score

? Easy to read vs difficult to make a comparison

- Some felt that the amount of data presented was informative and the way that it was presented was easy to understand
- Others felt that there were simply too many red stars, which made it difficult to make a comparison

→ The solution needs to facilitate a quick visual comparison

→ As well as different levels of appetite for detail

Service quality

Reactions to existing information (2)

	Cust Score Sample Size	Customer Score	Customer service	Transparency of charges	Dealing with complaints
Norwich and Peterborough BS	52	82%	★★★★	★★★★	★★★★
First Direct	340	82%	★★★★	★★★★	★★★★
Coventry Building Society	58	76%	★★★★	★★★★	★★★
Metro Bank	64	73%	★★★★	★★★★	★★★
Citibank	105	70%	★★★★	★★★	★★★
Nationwide Building Society	434	69%	★★★★	★★★	★★★
TSB Bank	326	68%	★★★★	★★★	★★★
Marks and Spencer (M&S Bank)	60	66%	★★★★	★★★	-
Virgin Money	51	65%	★★★★	★★★	★★★
Tesco Bank	61	65%	★★★★	★★★	★★★
Yorkshire Bank	188	64%	★★★	★★★	★★★
Smile	94	64%	★★★★	★★★★	★★★
Bank of Ireland	61	64%	★★★	★★★	★★★
Co-operative Bank	323	63%	★★★★	★★★	★★★
Halifax	437	62%	★★★	★★★	★★★
Santander	454	62%	★★★	★★★	★★★
Lloyds Bank	440	59%	★★★★	★★	★★★
HSBC	438	58%	★★★	★★★	★★★
Post Office	59	58%	★★★	★★★	★★★
Bank of Scotland	196	57%	★★★★	★★★	★★★
Danske Bank	57	57%	★★★	★★	★★★
NatWest	434	57%	★★★	★★	★★★
Barclays Bank	444	57%	★★★	★★	★★★
Clydesdale Bank	188	56%	★★★	★★★	★★★
Cahoot	50	55%	★★★	★★★	-
First Trust Bank	39	53%	★★★	★★★	★★★
Royal Bank of Scotland	318	52%	★★★	★★	★★★
Intelligent Finance (IF)	51	52%	★★★	★★★	★★★
Ulster Bank	50	49%	★★★	★★	★★

- This example prompted concern about sample sizes being different and this 'skewing results'
- There was resistance to comparing the top ranked bank with a sample size of 52, with the second ranked bank with a sample size of 340
- An overall sample size of 'thousands' was a common expectation
- ✗ The visibility of information was perceived to be poor (monochrome and dull)

→ There was an expectation that sample sizes would be consistent across banks e.g. no less than 100 per bank

Service quality

Reactions to existing information (3)

FINANCIAL BRANDS RANKED BY THEIR CUSTOMERS						
		Savings accounts	Current accounts	Credit cards	Mortgages	OVERALL SCORE
1	FIRST DIRECT	77%	93%	84%	90%	84% 86%
2	THE ONE ACCOUNT	n/a	83%	n/a	83%	79% 80%
=	CO-OPERATIVE BANK	67%	86%	80%	83%	79% 79%
4	SMILE	n/a	89%	76%	n/a	77% 78%
5	COVENTRY BUILDING SOCIETY	64%	n/a	n/a	78%	68% 74%
=	ING	55%	n/a	n/a	88%	n/a 74%
7	SAGA	59%	n/a	81%	n/a	68% 71%
8	NATIONWIDE	61%	76%	70%	73%	64% 69%
=	YORKSHIRE BUILDING SOCIETY	61%	n/a	n/a	71%	71% 69%
10	MARKS & SPENCER	54%	n/a	78%	n/a	63% 67%
11	INTELLIGENT FINANCE	57%	65%	n/a	69%	63% 65%
12	BRITANNIA	53%	n/a	n/a	70%	60% 64%
13	TESCO BANK	52%	n/a	71%	n/a	67% 63%
▼ All financial brands that fall below this line are rated below average						
14	YORKSHIRE BANK	56%	65%	62%	n/a	61% 61%
=	SAINSBURY'S FINANCE	54%	n/a	66%	n/a	60% 61%
16	HSBC	52%	59%	63%	67%	58% 60%
=	AA	56%	n/a	62%	n/a	n/a 60%
=	CHELTEMHAM & GLOUCESTER	52%	n/a	n/a	62%	47% 60%
=	POST OFFICE	52%	n/a	67%	n/a	58% 60%
=	VIRGIN MONEY	55%	n/a	62%	n/a	n/a 60%
21	CAHOOT	50%	62%	n/a	n/a	51% 59%
22	CLYDESDALE BANK	51%	58%	62%	n/a	61% 57%
23	NATWEST	50%	56%	56%	63%	55% 56%
24	BARCLAYS	47%	56%	53%	59%	52% 54%
25	LLOYDS TSB	48%	58%	53%	48%	50% 51%
=	NORTHERN ROCK	50%	n/a	n/a	45%	50% 51%
27	ROYAL BANK OF SCOTLAND	44%	54%	56%	48%	52% 50%
28	BANK OF SCOTLAND	46%	47%	53%	n/a	47% 49%
29	HALIFAX	45%	54%	54%	42%	47% 48%
30	SANTANDER	41%	45%	52%	47%	41% 46%
AVERAGE		54%	63%	67%	63%	59% 62%

✓ Average score (interpreted by the red line)

✓ Last year's score ("it's nice to see how they've improved")

✗ Once again, the visibility of the information was perceived to be poor – there were simply perceived to be too many numbers too look at

□ The ranking proved thought-provoking: "It's an eye-opener that my bank is quite low down."

➔ The solution needs to provide a clear indication of how 'my bank' compares to 'other banks'

Service quality

Learning from existing information (1)

- **When not actively considering switching**, respondents found it thought-provoking to see where their bank was ranked amongst a selection of other banks (with an indication of where 'average' lay)
- **When asked to imagine a scenario when they might be considering a switch and searching for more information, respondents felt that they would be looking to create a short-list of options. In this scenario respondents felt that:**
 - A comparison with all banks would be overwhelming
 - A comparison with a group of 'the best performing banks' or the 'best bank' and the 'worst bank' would not provide a short-list of alternative options
- **In this scenario, respondents wanted to be able to compare:**
 - their bank
 - vs the top 5 banks
 - within each metric

→ Respondents described a filtering process: for example taking a top 5 and filtering down to 2 or 3 (e.g. with branches in their local area) to explore in more detail

Service quality

Learning from existing information (2)

- It was clear that some consumers preferred to work with different levels of information
- 1. **For those who prefer to work with ‘top line’ information, the solution must facilitate a quick visual comparison of specific metrics**
 - Current examples of large, data-heavy tables did not make it easy for respondents to see the differences between banks
 - Regular branch users perceived locality as an important factor
 - Online users wanted to be able to compare online-specific banks
- 2. **For those who preferred to work with more detailed information, an online solution could support personalised choices**
 - The different metrics already enabled individuals to prioritise the information of most importance to themselves e.g. online banking or in branch service
 - However, there was thought to be potential to extend the level of personalisation available e.g. searching for information about service quality at banks with branches or information about service quality at banks with branches in my local area

→ **Topline information was expected in branch, online and on app which, ideally, would signpost customers towards more detailed, searchable information online**

Section 1: Service quality remedy

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Expressing service quality information

Service quality

Reactions to the service quality remedy

- **There was a positive response to the service quality remedy proposition, particularly in terms of the key metrics, as well as the question**
 - Some felt that being asked to 'recommend' a service was a thoughtful approach: *"If you recommend something you are more likely to give the right answers."*

- **However, many spontaneously raised questions about the provenance of the data, as well as details about how the data would be collected. It quickly became clear that:**
 - **The independence of the data needs to be clearly and prominently headlined** (in order to address concerns that it would be produced by the banks themselves)
 - **As well as expectations of an overall sample size of thousands and equal sample sizes across banks, there were questions about who would be sampled** (e.g. will people with a more favourable impression of the bank be more likely to participate than others?)

→ **These concerns were driven by a need to ensure that information about service quality within the banking sector is robust and credible**

Service quality

Expressing service quality (1)

	Ratings ★★★★★	Percentages %
Positives	<ul style="list-style-type: none"> ✓ Easy to understand ✓ Familiar ✓ No interpretation required ✓ Eye-catching 	<ul style="list-style-type: none"> ✓ Professional – appropriate for sector ✓ Makes survey data feel credible, substantial, meaningful ✓ Accurate
Negatives	<ul style="list-style-type: none"> ✗ Inaccurate ✗ Cannot reflect small differences 	<ul style="list-style-type: none"> ✗ Harder to interpret ✗ Less visually appealing
Question marks	? Credibility (star ratings associated with anything and everything)	? Presentation key to inhibiting/facilitating understanding
Functionally	Divides better banks (4-5 stars) from the rest (less than 4-5 stars)	Supports detailed comparisons

→ Overall, percentages emerged as the most appropriate way to express service quality within the banking sector due to: accuracy; conveying a sense that the data is credible and robust; and appropriately reflecting the perceived formality of the sector

→ Decisions are likely to be based on a 10% difference between banks

Service quality

Expressing service quality (2)

	Ratings ★★★★★	Percentages %
Positives	<i>“Universal understanding.” “It’s how you rate everything else.”</i>	<i>“It gives you a hard number.” “Figures make it more real.”</i>
Negatives	<i>“It won’t pick up on subtle differences.” “One star equals 20%.”</i>	<i>“It can be off-putting for those not as good at figures.”</i>
Question marks	<i>“Quick and dirty.” “More for a holiday.”</i>	<i>“It’s just a whole load of figures.”</i>
Functionally	<i>“It would put certain banks into my frame of reference.”</i>	<i>“They’re specific.”</i>

→ 10% was felt to indicate an appreciable difference in service between banks: *“Can you really tell the difference between 2% or 3%?
I’m not sure that you can.”*

Service quality

Visual expression of star ratings

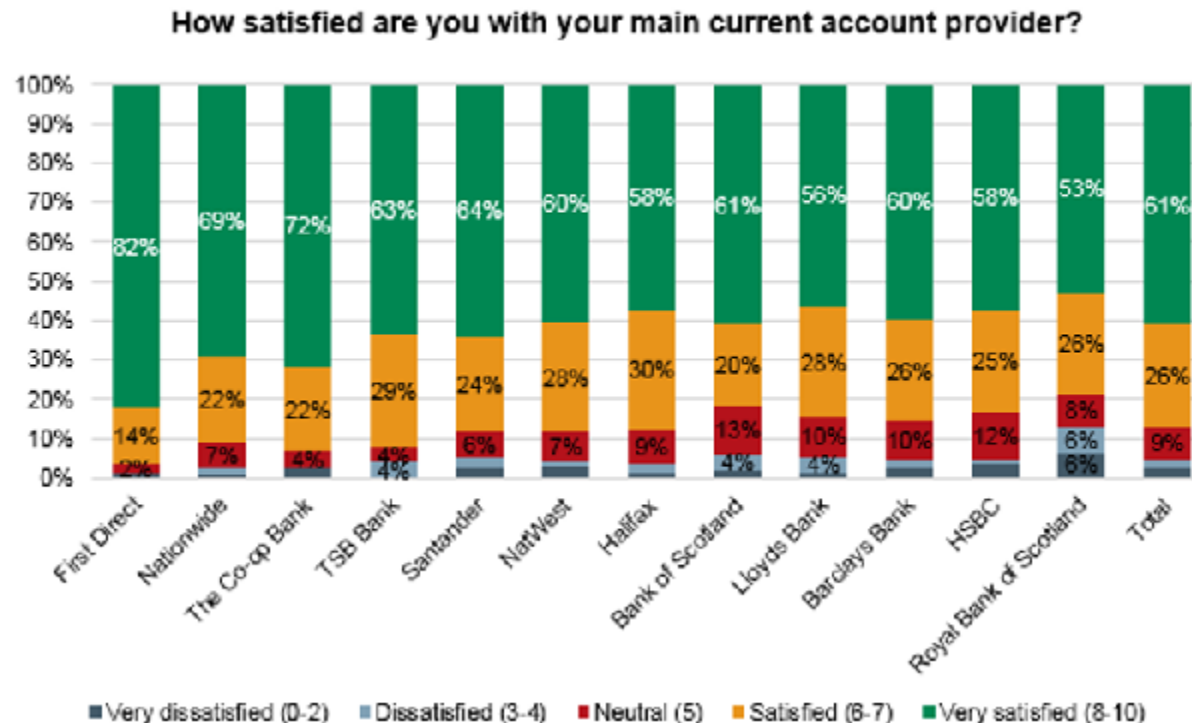
Comparing our ratings with the three best performing banks



→ Visual presentation of the star ratings confirmed that this is a very familiar system, it is difficult to make a comparison due to a lack of detail:
“There needs to be a whole star difference to make it stand out.”

Service quality

Expressing percentages (1)



→ Respondents felt that, despite the use of colour, it was extremely difficult to distinguish between different banks and that this way of presenting the information was 'too much to take in'

Service quality

Expressing percentages (2)

Comparing our ratings with the best performing banks



✗ All agreed - entirely inappropriate for the banking sector

Comparing our ratings with the best performing banks



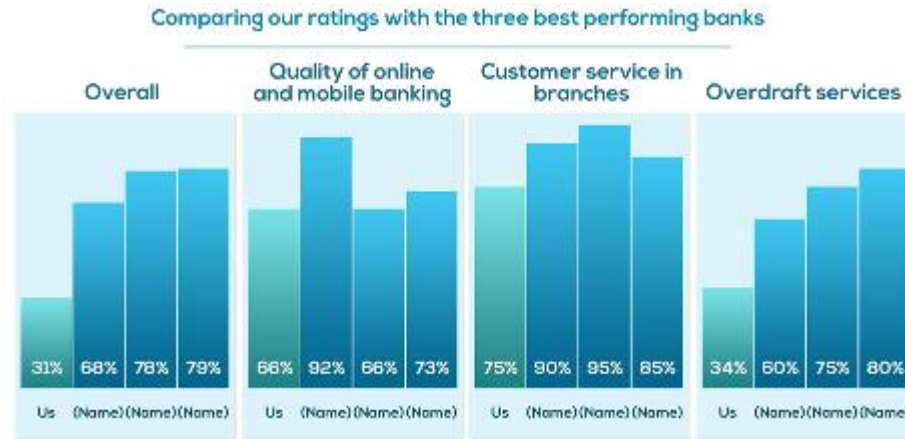
Opinion was divided:

✓ Accessible, approachable, simple

✗ Childish, gimmicky

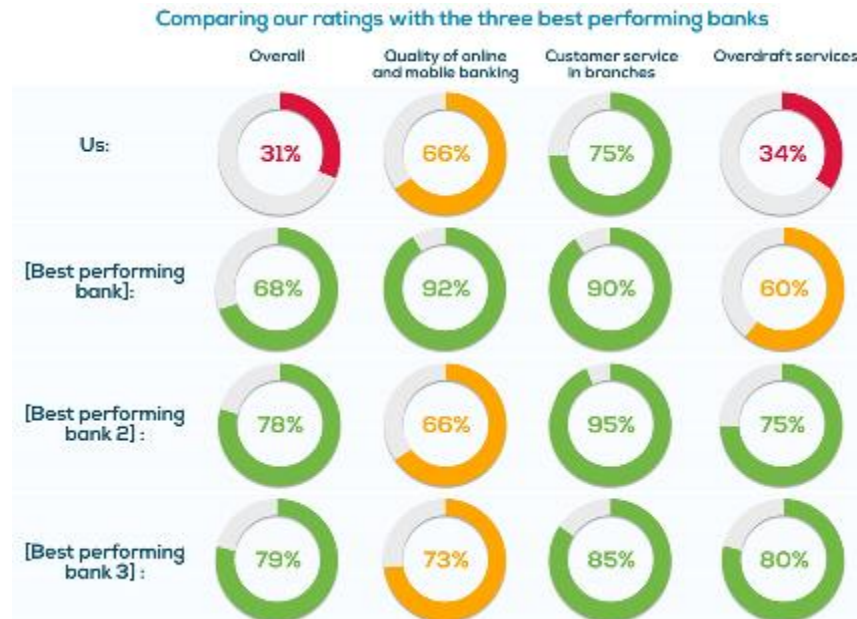
Service quality

Expressing percentages (3)



✓ Easy to read/understand

- ✗ Dull and dated
- ✗ Not eye-catching
- ✗ Not engaging

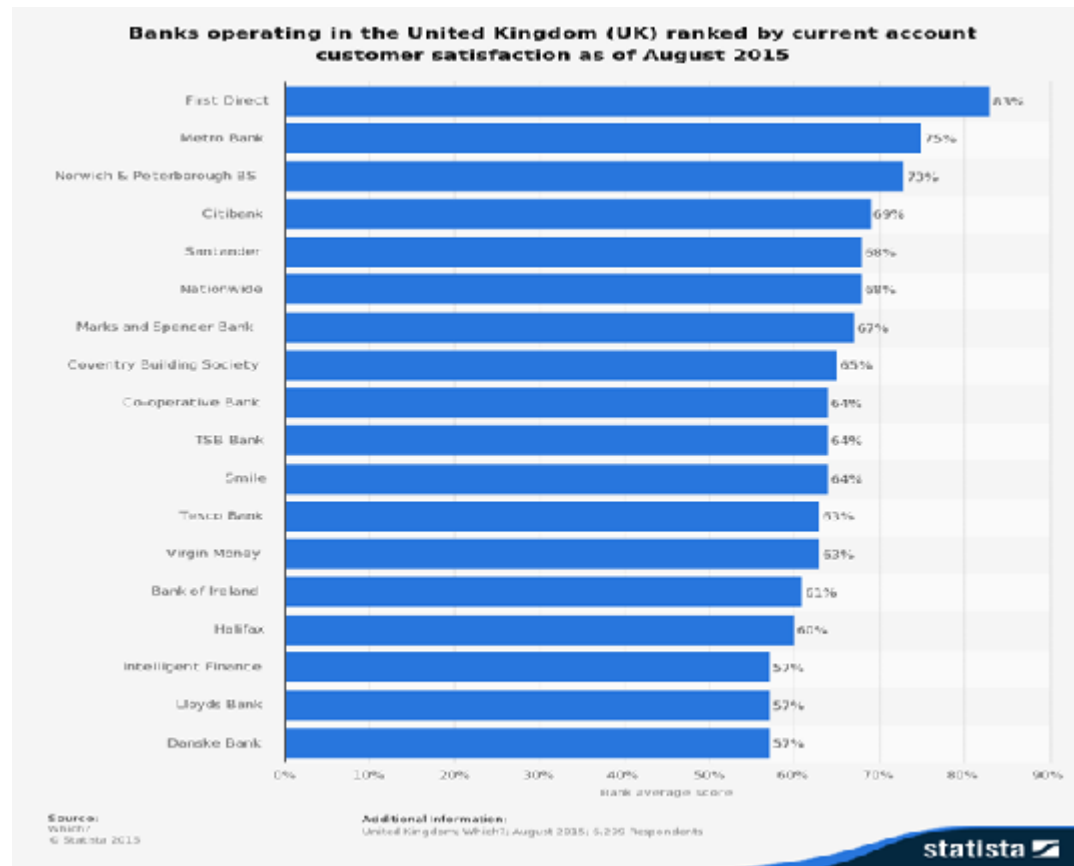


✓ A popular choice for some – clear, different, eye-catching

- ✗ Visually overwhelming in the context of a top five
- ✗ Cannot be ranked
- ✗ Colour coding can imply a judgement

Service quality

Expressing percentages (4)



→ This example was not felt to communicate enough information, although The way the information was presented was considered easy to understand

Conclusions and recommendations

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Conclusions

- **The content of the data was extremely well received:** both the question (i.e. a recommendation) and the individual metrics (which support individual choice)
- **Percentages emerged as the most appropriate way to express service quality within the banking sector due to**
 - Their ability to present data accurately (particularly compared to star ratings)
 - The sense that percentages indicate that data is credible and robust (again, particularly compared to star ratings)
 - The perceived 'fit' in terms of presenting data about banks
- **To create a short-list of alternatives, a comparison between 'my bank' and the top five banks within each metric was required**
- **A message about the independence of the survey, as well as the size of the overall sample/samples for individual banks, as well as sample composition needs to be prominent** in order to address spontaneously raised concerns about the robustness and credibility of the data
- **There was an expectation that banks would make this information available in branch, as well as on their websites and apps**

Recommendations

□ **The challenge will be to balance**

- The consumer requirement for information that is clear and eye-catching
- With the need to reflect the results (which are likely to include slight differences between providers) accurately
- AND present the results in an appropriately formal, and therefore credible, way

□ **Our recommendation is to**

- Use statistics (quote percentage and represent visually)
- Provide a comparison with the top 5 banks within each metric
- When presenting the statistics visually consider how to facilitate comparisons i.e.
 - provide a horizontal, top to bottom ranking
 - present the information for each metric separately
 - distinguish individual data points from each other (e.g. shading)
 - clearly indicate that the percentage is part of a whole (i.e. 67 out of 100)

Section 2: Monthly maximum charge

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Maximum monthly charge

Research objectives

- **The objective is to assess what term and definition can be used to increase the effectiveness of the remedy, and reduce the risk of unintended consequences due to customers misunderstanding the nature and scope of the MMC.**

- **To help develop a standardised term and definition by:**
 - generating and short-listing options for the term and definition to use, building on existing research and views of PCA providers;
 - exploring how easy the short-listed options are for customers to understand and identify any sources of customer confusion with each of these options; and
 - exploring ways of enhancing the short-listed options to improve customer understanding and reduce the risk of customer confusion

- **Specifically, to facilitate customer understanding of:**
 - The charges covered by the MMC:
 - any charges incurred as a result of exceeding a pre-agreed credit limit (ie fees and interest for using an unarranged overdraft / emergency borrowing facility);
 - any charges incurred as a result of attempting to exceed a pre-agreed credit limit (ie charges for a PCA provider refusing a payment due to lack of funds, sometimes known as unpaid item fees);
 - The charges not covered by the MMC, in particular arranged overdraft fees and interest;
 - The period covered by the MMC: the PCA provider's monthly billing period, which may or may not be a calendar month;
 - The MMC only caps the sum of the charges covered by the MMC in any monthly billing period. Customers' actual charges may be less and will depend on their account usage; and
 - How relevant the MMC is to them given their account usage.

Maximum monthly charge

Method and sample – focus groups

- **6 extended focus group sessions** (2 hours duration, 8 respondents in each), comprising:
 - **Those with experience of unarranged overdrafts/unpaid item fees during 9 or more months in the past 12 months**
 - Younger Men & Women, aged 18-25; C1C2DE
 - Men & Women aged 30 – 50 years, BC1C2D
 - Men & Women aged 50 years plus, BC1C2D
 - **Those who use their overdraft facility on a regular basis and have occasionally exceeded their limit in past 12 months (2 or fewer months in the past 12 months) or not exceeded their limit in the past 12 months**
 - Younger Men & Women, aged 18-25; C1C2DE
 - Men & Women aged 30 – 50 years, BC1C2D
 - Men & Women aged 50 years plus, BC1C2D
- **The focus group sample included:**
 - a mix of banking customers: high street; supermarket; telephone and new entrants
 - a mix of channel usage including: banking primarily via branch, online or telephone
 - a range of attitudinal 'mind-sets' towards considering switching, including: those either strongly considering, fairly strongly considering, broadly open to considering or not considering at the moment and excluding those who absolutely would not consider switching

Maximum monthly charge

Method and sample – depth interviews

- **40 individual, face-to-face depth interviews, 1 hour duration**
- **The depth interview sample was divided**
 - equally male and female
 - between different age and life stages: young singles aged 18-24 years; young family stagers aged 30-40 years; older family stagers 40-59 years; empty nesters/retired 60+ years
 - equally between socio economic groups ABC1 and C2DE
- **The sample included:**
 - 16 depths with heavier UOD users: customers who have experience UOD and unpaid item charges during 9 or more months of the past 12 months
 - 14 depths with lighter UOD users: customers who have experienced UOD and unpaid item charges during 8 or fewer months of the past 12 months; out of these 14 depths around 8 to 10 will be with more infrequent users (i.e. 2 or fewer months in the last 12 where such charges have been incurred).
 - 10 depths with customers who use their overdraft facility on a regular basis and have stayed within their limit.
- **The sample also included:**
 - banking customers from a range of ethnic minority backgrounds, banking customers with low levels of literacy, as well as a mix of customers of different banks, different channel uses and a range of attitudes towards switching

Section 2: Monthly maximum charge

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Context

Maximum monthly charge

Arranged overdraft charges/fees

- **Within our sample we encountered respondents with overdraft facilities of varying limits and charging structures** – dependent upon bank and PCA product
 - Customers typically gained access to a basic overdraft facility automatically when setting up their account (e.g. with a limit of £150-£200), or they selected a PCA with a suitable overdraft facility for their needs (e.g. a more substantial overdraft for students)
 - Consumers did not tend to negotiate their overdraft limit at the outset, changes were only made once they had used their overdraft facility

- **Understandably, experience of using an arranged overdraft generated a closer understanding of fees as well as the potential to negotiate a new overdraft limit**
 - Students and those who had experienced financial difficulties (e.g. redundancy) were typically more familiar with using (and adapting) their overdraft facility
 - Despite a closer understanding of overdraft usage fees, complete knowledge of fee structures was rare

- **Typically, knowledge of the costs associated with having an overdraft was limited to respondents' own bank. However, there were examples of those who knew more about differences in overdraft charges between banks**
 - Those who had switched accounts fairly recently were able to compare their new account overdraft fees with their previous providers' overdraft fees (although this was not always the primary reason for switching)
 - There were also examples of students becoming aware of the difference in fees for using and exceeding overdrafts via conversations with friends

Maximum monthly charge

Unarranged overdraft charges/fees

- ❑ **Those who had experience of exceeding an agreed overdraft limit became aware of these costs after the event**
- ❑ **Understanding of unarranged overdraft fees was not very good**
 - Baseline awareness of charges included a daily charge and 'other charges' that were not completely understood (i.e. *"there's something on top of the daily charge because it always ends up being more"*)
 - Some also reported charges for direct debits either going through, or being rejected, which was confusing for most i.e. *"why would they charge me for rejecting a payment?"*
- ❑ **Those with less experience of exceeding their overdraft realised that they knew very little about charging.** In the focus group discussions it quickly became clear that the type of charges varied between banks, as did the amount charged
- ❑ **There were two responses to being charged for exceeding an arranged overdraft**
 - Higher SEG respondents in more affluent areas (e.g. Crawley and St Albans) tended to agree that these kinds of fees were a necessary deterrent for borrowing more than the agreed limit
 - Lower SEG respondents in less affluent areas (e.g. Liverpool) felt that these kinds of fees perpetuated cycles of hardship that were difficult to escape

Section 2: Monthly maximum charge

A horizontal bar composed of three segments: a yellow segment on the left, an orange segment in the middle, and a dark blue segment on the right.

Re-working the description

Maximum monthly charge

Initial understanding of the idea (1)

- **Most respondents understood the word 'cap' and focussed on the idea that this was a 'cap on charges'**
- However, the phrase 'cap on charges' prompted the question – **which charges?**
 - There were some who, when focussing on the first line, assumed 'charges' referred to overdraft charges
- Moreover, some **less knowledgeable** pre-family respondents did not identify that this was a cap on charges, but thought it was a cap on spending

→ A title that focusses customers on the key elements of the proposition is needed:
'Monthly cap on unarranged overdraft charges' fulfilled this brief

Maximum monthly charge

Re-working the description (1)

Monthly cap on unarranged overdraft charges

- ☐ The idea is that every current account will set a cap on your charges each month due to:
 - ☐ not having enough money in your account
 - ☐ or going past an arranged overdraft limit (if you have one)
- ☐ This cap covers any:
 - ☐ interest and fees for using an unarranged overdraft
 - ☐ fees when your bank allows a payment despite lack of funds
 - ☐ fees when your bank refuses a payment due to lack of funds

Maximum monthly charge

Initial understanding of the idea (2)

- ❑ A minority did not understand the word 'cap' (including those with lower levels of literacy, younger respondents and those who felt strongly about bank charges)
- ❑ Although 'limit' was generally considered a more accessible alternative to 'cap', it is also a word commonly used in this context (e.g. overdraft limit) - and therefore had the potential to confuse (particularly in the context of a description that already uses the phrase 'overdraft limit')
- ❑ After deliberating the proposition, respondents decided that the term 'monthly maximum charge' explained and described the term 'cap'
- ❑ However, 'monthly maximum charge' was considered 'too wordy' for use in the title (and did not make sense "*Monthly maximum charge for unarranged overdraft charges*")

→ However, if used in the first line, the term 'monthly maximum charge' explains and describes the word 'cap' in the title

Maximum monthly charge

Re-working the description (2)

Monthly cap on unarranged overdraft charges

- ❑ The idea is that every current account will set **a monthly maximum charge** for:
 - ❑ not having enough money in your account
 - ❑ or going past an arranged overdraft limit (if you have one)
- ❑ This cap covers any
 - ❑ interest and fees for using an unarranged overdraft
 - ❑ fees when your bank allows a payment despite lack of funds
 - ❑ fees when your bank refuses a payment due to lack of funds

Maximum monthly charge

Initial understanding of the idea (3)

- The phrase *'not having enough money in your account'* was a real stumbling block in terms of comprehension. All too often this line was interpreted as indicating that this was about a cap on overdraft charges

Monthly cap on unarranged overdraft charges

- The idea is that every current account will set **a monthly maximum charge** for:
 - **going overdrawn when you have not arranged an overdraft**
 - **or going past an arranged overdraft limit (if you have one)**
- This cap covers any
 - **interest and fees for using an unarranged overdraft**
 - **fees when your bank allows a payment despite lack of funds**
 - **fees when your bank refuses a payment due to lack of funds**

Maximum monthly charge

Understanding of charges covered (1)

- ❑ **There was very little spontaneous recollection of the specific terms banks used for either balanced-related charges or per-transaction charges.** Therefore describing the scenarios when customers are charged is an accessible way of communicating with all customers
- ❑ **‘Covers’ was preferred to ‘includes’ (which some felt suggested that there were charges which were ‘excluded’ from the cap)**
- ❑ **The was a preference for specifying ‘*for each payment*’, which was based on a wish to educate customers that they are charged per-transaction**
 - Similarly, a small number of younger respondents suggested offering an example of ‘when your bank allows/refuses a payment due to lack of funds (e.g. direct debit) as further clarification

➔ Specifying “*fees for each payment*” communicated the sense that charges accumulate

➔ By conveying accumulation, the description communicates that the cap covers all the different charges and that charges need to reach a certain level before the cap ‘kicks in’

Maximum monthly charge

Re-working the description (4)

Monthly cap on unarranged overdraft charges

- ❑ The idea is that every current account will set **a monthly maximum charge** for:
 - ❑ **going overdrawn when you have not arranged an overdraft**
 - ❑ **or going past an arranged overdraft limit (if you have one)**
- ❑ This cap covers any
 - ❑ **interest and fees for using an unarranged overdraft**
 - ❑ **fees for each payment your bank allows despite lack of funds**
 - ❑ **fees for each payment your bank refuses due to lack of funds**

Maximum monthly charge

Understanding of who sets the cap

- ❑ Initially, some had assumed that that there would be one cap, not individual caps set by different banks
- ❑ However, when pointed out that banks would set their own caps, this was readily accepted and understood as a way in which banks can differentiate their offer and compete with other banks
- ❑ Once established, respondents expected that caps would differ between **accounts** – again as a way of banks differentiating between their different accounts (e.g. premium accounts)

→ Based on respondents' recommendation to specify 'each payment', we recommend clarifying that "each" current account, (rather than "every" current account) *"will set a cap on charges"*. This change indicates that a cap will be set by each bank

Maximum monthly charge

Re-working the description (5)

- There was support for “*going past*” or “*going over*” an arranged overdraft limit
 - “*Exceeding*” was considered unnecessarily officious
 - “*Exceeding a pre-agree credit limit*” was confusing since the phrase was associated with credit cards, rather than overdrafts

Monthly cap on unarranged overdraft charges

- **Each current account will set a monthly maximum charge for:**
 - **going overdrawn when you have not arranged an overdraft**
 - **or going **over/past** an arranged overdraft limit (if you have one)**
- **This cap covers any**
 - **interest and fees for going over/past an arranged overdraft limit**
 - **fees for each payment your bank allows despite lack of funds**
 - **fees for each payment your bank refuses due to lack of funds**

Maximum monthly charge

Understanding in tiered context (1)

- Some older, better off respondents had overdrafts with tiered charging. These **individuals were clear about how the cap would work**
- For those who were unfamiliar with overdrafts with tiered charging, understanding of how the cap would work was based on their initial understanding of the proposition
 - Those who did not understand that the cap related to unarranged overdraft charges felt that the cap started at £50
 - Those who understood that the cap related to unarranged overdraft charges felt that the cap started at £1,000

STIMULUS G (i)

Tiered overdraft charges example (fees only, no interest)

- Arranged overdraft limit: £1,000

Charges	
Up to £50	No charges
£50 to £500	£1/day
£500 to £1,000	£2/day
More than £1,000	£5/day

← - - - - Arranged overdraft limit

Maximum monthly charge

Understanding in tiered context (2)

- **The addition of an ‘emergency borrowing’ tier caused confusion**
 - What is the status of ‘emergency borrowing’? Is it part of an arranged overdraft or part of an unarranged overdraft?
 - And is it included within the cap?

- **Barclays customers need to know that ‘emergency borrowing’ is included in the cap**

- **‘Initial’ or ‘previously agreed’ overdraft limit did not clarify**

STIMULUS G (ii)

**Tiered overdraft charges example
(fees only, no interest)**

- Arranged overdraft limit: £1,000
- The bank has also agreed with you it will lend you up to 20% on top of the arranged limit (ie no more than £1,200 in total) for emergency borrowing

Charges	
Up to £50	No charges
£50 to £500	£1/day
£500 to £1,000	£2/day
£1,000 to £1,200	£5/day

←----- Arranged overdraft limit

←----- Emergency borrowing limit

➔ It may be worth reflecting the language that specifies the circumstances in which the cap applies. Specifying ‘your overdraft limit’ aims to distinguish between overdraft and emergency borrowing

Maximum monthly charge

Re-working the description (6)

Monthly cap on unarranged overdraft charges

- ❑ **Each current account will set a monthly maximum charge for:**
 - ❑ **going overdrawn when you have not arranged an overdraft**
 - ❑ **or going over/past your arranged overdraft limit (if you have one)**
- ❑ **This cap covers any**
 - ❑ **interest and fees for going over/past your arranged overdraft limit**
 - ❑ **fees for each payment your bank allows despite lack of funds**
 - ❑ **fees for each payment your bank refuses due to lack of funds**

Maximum monthly charge

Names for timescales

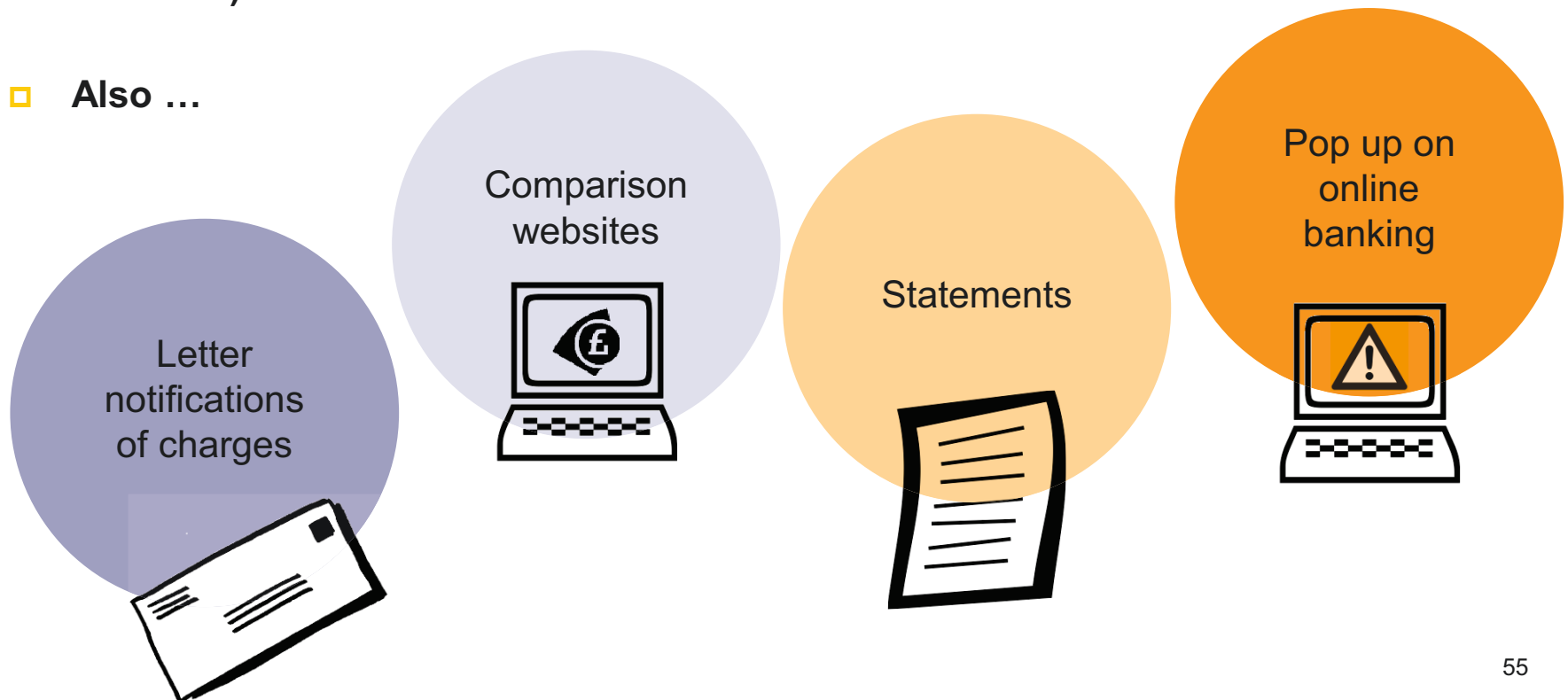
- There was an assumption that the MMC charging timescale would align with the timescale for all other arranged or unarranged overdraft charges

Proposed name	Overall response
MONTHLY	Clearest and shortest option – assumed to indicate ‘calendar month’
EACH MONTH	Equally clear as “monthly” but incorporates two words unnecessarily
PER MONTH	
FOUR WEEKLY	Relates to wage payment periods for most rather than banking periods
CALENDAR MONTH	Universally understood – monthly is the assumed shorthand
MONTHLY ACCOUNTING PERIOD	Not understood
MONTHLY STATEMENT PERIOD	Relates to paper statements, assumed to indicate the period within which charges are applied

→ The bank needs to clarify what ‘monthly’ means

Displaying the idea

- Respondents felt that idea should be presented when choosing a bank account or re-negotiating an overdraft
- Customers also felt that they should be proactively notified when charged (e.g. by text alert) or online statement
- Also ...



Conclusions and recommendations

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Conclusions (1)

- Two key changes have been recommended due to the need to be clear about the fact that the cap covers unarranged overdraft fees (not overdraft fees):
 1. For this reason, it is key that the name immediately and clearly conveys that this is a cap on unarranged overdraft charges e.g. *“Monthly cap on unarranged overdraft charges”*
 - The recommended title provides clarification for many – but not all. A minority did not understand the term ‘cap’
 - Another change is therefore recommended to address this confusion: the first line needs to provide an explanation of the term ‘cap’ e.g. *“The idea is that each current account will set a monthly maximum charge for ...”*
 2. The phrase *“not having enough money in your account”* was confusing for many. All too often this line was felt to indicate that this was a cap on overdraft charges. The alternative phrase *“going overdrawn when you have not arranged an overdraft”* was a specific, clear alternative

Conclusions (2)

- Another change has been recommended which describes the range of fees covered by MMC:
 - There was very little spontaneous recollection of the specific terms banks use for either **balance-related or per-transaction charges**, therefore describing the scenarios when customers will be charged (*“interest and fees for each payment your bank allows/refuses...”*) was an accessible way of communicating the charges covered by the cap to all customers
 - This change also clarifies that customers’ charges may well be less than the MMC
- One further change is recommended to clarify that this is not a universal cap, and that banks will set their own caps. Support for using precise language to specify individual payments (i.e. each payment) suggests that the first line should read *“Each current account ...”*
- There was support for using the same phrase “going over/past an arranged overdraft limit” throughout the description
- To focus on the circumstances in which the cap applies, consider specifying ‘your overdraft limit’