



Response to the Competition and Markets Authority's Retail Banking Market Investigation Draft Order for Consultation

23 December 2016

About us

1. Money and Mental Health is a new charity set up by Money Saving Expert Martin Lewis. Launched in April 2016, the Institute conducts research and develops policy proposals to break the devastating link between mental health problems and financial difficulties. People with debt problems are twice as likely to develop major depression,¹ and people with mental health problems are three times as likely to be in problem debt.²

Why is Money and Mental Health responding to this consultation?

2. People with mental health problems sometimes find it difficult to maintain control of their finances during periods of poor mental health. Periods of poor mental health are often accompanied by lethargy and cognitive impairments, such as inability to concentrate, increased impulsiveness and difficulties retaining information (such as that required to make a comparison between two current account providers). These clinical symptoms of mental health problems can make both day-to-day financial management and more occasional tasks like switching current account very difficult. As a result, people experiencing mental health problems are likely to get a poor deal in the current account market, and are also significantly more likely to experience financial difficulties.
3. Tools using the Open Banking Service could form a fantastic resource for people experiencing mental health problems, making it easier to navigate the complex market for personal current accounts and boosting competition for this vulnerable consumer group, but also facilitating day-to-day financial management.
4. At present, however, Money and Mental Health is concerned that the Open Banking remedy as set out in the draft order will not drive the consumer benefit anticipated and improve competition in the personal current account market.

Our concerns

¹ Skapinakis P, Weich S, Lewis G, et al. Socio-economic position and common mental disorders: Longitudinal study in the general population in the UK. *British Journal of Psychiatry* 2006; 189: 109-17.

² Jenkins R, Bhugra D, Bebbington P, et al. Debt, income and mental disorder in the general population, *Psychological Medicine* 2008; 38: 1485-1494.



5. In describing the three cross-cutting foundation measures set out in the final report of the retail banking investigation, the CMA argued that these measures would increase consumer engagement and encouraging the development of new services, as well as making it easier for customers to compare prices and service quality of different current account providers.³
6. The Draft Order as set out for consultation, however, seems to focus excessively on developing the tools for comparison of current accounts, without giving due consideration to how consumers will be motivated to make use of these tools. While the remedies prescribed in Part 4 of the Draft Order, prompting consumers to reconsider their current account provider and the potential benefits of switching, will help to some degree, it is difficult to see under the current plans how consumers will be prompted to move from this message into a comparison and switch. A prompt alone, without a personalised comparison, is unlikely to motivate consumers.
7. Many of the consumers we speak to do not feel they should have to switch banks to get a good deal. They believe, instead, that the obligation should be on banks to price their products fairly. There is a substantial risk that consumer interest in any new comparison services making use of the Open Banking API will be limited to a group of consumers who are already active switchers, and will not reach those consumers who currently find it hardest to engage in the market and are who are likely to be paying over the odds for their current account services. If this is the case, open banking would only generate marginal improvements for an already active consumer segment, failing to generate a more substantial increase in competition.
8. There is, however, a significant interest among the consumers we speak to about the ways in which fintech tools could help them to manage their finances more effectively on a day-to-day basis. The following verbatims are the words of some of the 5,500 people with lived experience of mental health problems who responded to a survey conducted by Money and Mental Health in April 2016.

“When I am feeling unwell it’s like I lose all sense of reality. I’m living and breathing someone else’s air, spending someone else’s money... That email, text, whatever, gives you that checkpoint to take you back into reality.”

“An automatic bank budgeting scheme [would be helpful] as I can’t face knowing what my situation is when I am aware that I am in greater debt than I can pay off.”

³ Competition and Markets Authority, Retail banking market investigation, Final Report, 9 August 2016.f



“[It would be helpful] if it was one pot, but you could ringfence money for bills, luxuries, necessities, be able to tailor your bank.”

This interest in fintech tools could be used to encourage consumers to make use of tools based on open banking data, from which point it would be possible to provide them with personalised comparisons and encourage switching more effectively.

9. In summary, the prize on offer to consumers for switching is unlikely to be perceived as large enough to justify the consumer finding a way to compare accounts using open banking, even if they are prompted to do so. However there is substantial consumer interest in using fintech tools powered by open banking for day-to-day financial management. Consumers do not feel a need to switch current accounts, but they do want to budget better and to improve their financial situation. This creates an opportunity to leverage this interest in practical, day-to-day applications of open data capabilities to capture consumer attention and increase engagement with the market for financial services through tools powered by open banking. From this point, it is much easier to engage consumers in a comparison of current accounts and efforts to encourage switching are likely to be much more successful.

Making open banking appeal to consumers

10. To ensure the success of the CMA’s three cross-cutting foundation remedies, the Implementation Entity must consider how it can tangibly demonstrate the value and practical uses of open banking to consumers. The potential for open banking to “dramatically improve existing products, making them more competitive, intuitive, personalised, convenient and integrated” as expressed in the Providers’ proposal for the Implementation Entity⁴ must not be overlooked in the process of designing and implementing the Open Banking Service.
11. There is significant scope for fintech firms and established providers to use open banking to provide more intuitive and sophisticated financial services to consumers. Among people experiencing mental health problems and those who care for them, we hear calls for:
 - Better budgeting tools;
 - Settings that make it easier for consumers to manage their money, for example spending limits or notifications when spending patterns change; and
 - Sophisticated permission sets that enable carers or trusted third parties to offer support during periods of poor mental health.

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https://assets.publishing.service.gov.uk/media/5800ddf3e5274a67eb000000/Implementation_entity_plans_and_proposals.pdf



12. Promoting the use of the Open Banking Service to develop these tools would demonstrate the practical value of open banking to consumers, helping to engage them in the open banking ecosystem and unlock the competitive benefits expected.
13. The most powerful fintech tools will be those which can offer consumers the support they need, whether that is budgeting support, behavioural nudges or signposting to other services, at the right time. To do this, developers need to use artificial intelligence and machine learning to analyse transactions data from thousands of consumers and spot patterns. At present, however, a difficult situation exists where the providers who can create the tools on which success of open banking depends do not have access to the data required to build them.
14. It is critical that this market research and the development of practical tools using open banking technologies starts before the full introduction of open banking in early 2018 if we want to capture the attention of consumers. Failure to offer exciting, innovative and compelling tools, offering services like personal budgeting and behavioural nudges, risks losing consumer attention and ultimately dooming the open banking project to failure.

Recommendations

15. The Implementation Entity and its Advisory Groups should work with Government to launch a major data study of financial difficulty ahead of the introduction of the Open Banking API in 2018. The government should recruit 50,000 volunteers from the general public, asking them to provide access to two or three years of their financial transactions history along with biographical and demographic information. Once centrally collated and suitably anonymised, this wealth of data will allow researchers to analyse the financial management needs of the UK population, and create the opportunity for providers to come up with tools that fill the gap.
16. With this preparation, open banking becomes more than a way to compare current accounts which is only used by a few, and instead unlocks a shift in the way we manage our money, increasing engagement with financial services and substantially increasing the likelihood that consumers will compare current account providers and switch. Only by tackling the underlying problem of motivation to engage with financial services providers can we begin to tackle the problems of weak competition - thankfully, open banking provides a remarkable opportunity to do so. An ambitious data programme, run in partnership by the Implementation Entity and the Government would ensure that Open Banking drives a revolution in financial services and properly remedies the adverse effects on competition identified by the CMA.



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