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Retail Banking Investigation
Competition and Markets Authority
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Dear Sir/Madam

Virgin Money response to the CMA's *Draft Retail Banking Market Investigation Order 2017*

Thank you for the opportunity to comment on the proposed Retail Banking Market Investigation Order 2017.

In our response to the CMA decision on remedies in June of this year, we outlined Virgin Money's perspective on the CMA's proposals and this has not changed. In summary, we welcome the Open Banking initiative, which we believe can stimulate competition and the development of new products and services for customers but would have wished to see the remedies go further in certain areas such as tackling free-if-in-credit banking and Account Number Portability. We will not seek to reiterate these points here but rather confine ourselves to commenting on the approach to implementing the remedies, as stipulated in the Order.

The specific remedies given effect by the Order will not, in general, apply to Virgin Money at present given our current scale. We are not one of the named institutions affected by Part 2 and fall below the minimum thresholds contained within the Order on the number of active PCAs. As you know, we do not currently offer BCAs. However, given our ambition to expand our presence in the PCA market over time we have reviewed the requirements and believe them to be fair and reasonable for all banks to implement in an appropriate timescale.

The development of an Open Banking standard, open APIs and data sharing are of particular interest to us, as we believe that effective implementation of the various initiatives in this area has the real potential to transform innovation and competition in UK retail banking. We strongly support the development of open API standards and, with this in mind, our comments are focused on Part 2 of the Order, which implements the CMA's open API standards remedy.

We agree with the CMA's view that such standards could drive greater transparency and enable consumers to compare products more effectively. However, we believe there is even more value in opening up customer data to facilitate the development of products and services which enable customers to manage their personal finances in much more convenient and effective ways, resulting in significantly better consumer outcomes.

However, we would strongly recommend that these standards are not developed in isolation as part of the Order but are aligned with both the requirements of the EU's revised Payment Services Directive (PSD2) and the proposals of the Payment Systems Regulator's (PSR) Payments Strategy Forum.

PSD2 is intended to open up the payments market by facilitating the provision by third party providers of new account information services (which provide consumers with a consolidated view of their different accounts) and payment initiation services (which facilitate the use of online banking to make internet payments).

In its paper *A Payment's Strategy for the 21st Century*, the Payments Strategy Forum has made recommendations on the proposed API framework, supported by the PSR, FCA and Bank of England. These include the proposed 'Request to Pay' and 'Confirmation of Payee' solutions, which could deliver significant benefits to consumers.

We believe it to be critical that the CMA's open API standards remedy supports the delivery of PSD2 and the Payments Strategy Forum's final strategy. Any lack of coordination in these areas could stifle innovation and result in further barriers to entry in future banking services, increasing costs for industry participants as a whole.

Further comments on the draft Order and draft Explanatory Note

The draft Explanatory Note that accompanies the CMA's draft Order acknowledges the need for the Implementation Entity to deliver open API standards which support PSD2, and refers to the possibility of 'handing over' the framework of standards to a suitable entity in the longer term.

We support this guidance and suggest that a future oversight role could be played by the consolidated payment scheme entity proposed in the Payments Strategy Forum's recommendations (formed through a merger of existing payments schemes and possibly elements from Payments UK).

We also support the need, as outlined in Schedule 1 Part A of the Order (on Agreed Arrangements), for the Implementation Entity to consult widely – particularly with respect to PSD2 – and to be mindful of future governance considerations. We think that the proposed combined scheme entity could also play an important role in this respect.

However, we note that the Order ultimately prevails over the Explanatory Note, and do not think there is a clear enough focus in the draft Order itself on the importance of aligning the new API standards framework with PSD2. We do not think the requirement in Schedule 1 of the Order for the Implementation Trustee to 'take account of the views of a wide range of stakeholders' (paragraph 2c) is sufficiently clear or strong.

Furthermore, there is no reference in the draft Order or Explanatory Note to the work of the Payments Strategy Forum. We believe it would be advantageous for the 'Request to Pay' and 'Confirmation of Payee' solutions to be developed in alignment with the common API framework, rather than through proprietary bank-owned mechanisms which could create further barriers to entry.

With these observations in mind we make the following suggestions:

- We think that Schedule 1 of the draft Order, which sets out the functions of the Implementation Trustee, should be amended so that it makes explicit reference to the Trustee having to ensure that the API standards are compatible with PSD2 (so that the industry is able to use the framework to meet the requirements of PSD2); and
- We also suggest that the draft Order and draft Explanatory Note should be amended so that they both include a requirement for Implementation Entity to have regard to the Payments Strategy Forum's recommendations and, specifically, those of its proposals which are based upon the API standards.

In summary, Virgin Money believes that the development of open API standards presents a significant opportunity to increase competition and innovation in UK retail banking and stimulate the development of new added-value services for consumers. We believe that a formal requirement to coordinate this work with PSD2 implementation and the delivery of the Payments Strategy Forum's proposals will ensure that the overall benefits of these overlapping initiatives are maximised for both consumers and businesses.

Yours faithfully

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Virgin Money