

Nationwide Building Society
Response to Consultation on Draft Retail Banking Market Investigation Order 2017

1. Introduction

- 1.1 Nationwide provides its views on the CMA's Retail Banking Market Investigation Draft Order (the "**Draft Order**") below as it relates to PCAs – we have not commented on the remedies concerning the provision of banking services to small and medium sized enterprises as Nationwide does not provide such services.
- 1.2 As an introductory comment, Nationwide notes that the CMA has not yet made available the Agreed Timetable and Project Plan (as defined in the Draft Order). In order to provide full and complete comments, in particular on the scope of the obligations set out in Article 10.5, Nationwide requests that the CMA makes this document available shortly.

2. Part 2: Open API standards and data sharing

- 2.1 As previously noted Nationwide is in favour of remedies that aim to facilitate price and non-price comparisons between PCA providers and therefore supports the adoption of open API standards to achieve this.
- 2.2 Nationwide notes that the Implementation Trustee will be given broad powers and that Article 11.6 requires providers to comply with "*the written directions and decisions of the Implementation Trustee on all matters relevant to the activities of the Implementation Trustee Functions and Mandate unless these conflict with the Order or CMA written directions.*"
- 2.3 Nationwide believes that providers should be able to appeal the Implementation Trustee's directions and decisions in appropriate circumstances. Nationwide therefore suggests that the Draft Order be amended to include clear procedures by which the directions and decisions of the Implementation Trustee can be appealed to the CMA.

3. Part 3: Service quality indicators

- 3.1 Nationwide considers service quality to be an important factor in overall customer satisfaction and agrees with the CMA's findings that key measures of service quality are not readily available to customers.
- 3.2 Nationwide however is concerned that the Draft Order does not give providers sufficient time to appoint the survey agency or produce and publish the indicators every six months following the completion of the survey:
- (i) Article 15.4 requires the survey agency to start conducting the survey on 1st July 2017. Given providers will need to share personal data with the survey agency, an appropriate data-sharing agreement will need to be in place with the agency, which could take up to six months to agree and implement if they are a new supplier. In Nationwide's view, it is also unclear when the survey agency, once on-boarded by all relevant providers, could commence the survey as it would need time to consider and implement the survey methodology (which is, in any

event, subject to the CMA's approval).¹ Nationwide therefore believes that the requirement for the survey to commence on 1st July 2017 is unrealistic and suggests that the agency should be able to do so at any point during Q3 2017.²

- (ii) Article 15.4 only gives providers one month from the collection of the survey data to publish the indicators in accordance with Article 17. In Nationwide's view providers will need significantly longer (roughly 12 weeks) to ensure that they comply with Article 17 when producing and distributing relevant materials to display the indicators in branch, online and on their mobile apps.

3.3 Nationwide also has the following concerns with the CMA's proposal³ regarding the publication of the indicators:

- (i) The CMA's proposal does not take into consideration the fact that certain brands have a limited (or no) presence in certain parts of the UK – for example, brands such as Ulster Bank, Bank of Ireland, Allied Irish Bank, Royal Bank of Scotland, Clydesdale Bank and Metro operate in Northern Ireland, Scotland and London but have limited or no presence in the rest of England and Wales. The inclusion of such providers in the published indicators in such areas would not be appropriate as customers would have limited ability or incentive to switch to them.
- (ii) The CMA's proposal does not reflect fully the recommendations set out in Research Works' Qualitative Research Report⁴ (the "**Research Works Report**").⁵ For example:
 - (a) The Research Works Report states that it should be made clear that "*the 'overall' metric is a rating of the overall quality of all aspects of customer service*".⁶ However, the explanation under Figure 1 suggests that this metric will be based on customers' willingness to "*recommend their personal current account provider to friends and family*".⁷ Although the question as listed in Figure 1 reflects the CMA's proposal in the Final Report, the CMA specified that it should be clear that this recommendation should be made thinking about quality of staff and

¹ As noted in Article 16.1.1 and 16.1.2 of the Draft Order, the CMA will approve the sampling techniques and data collection methods and the survey methodologies and questionnaires that providers must submit by 1st May 2017.

² If the survey commences after 1st July 2017, the survey agency would increase the number of interviews conducted for the remainder of 2017 to ensure the correct number of customers are surveyed.

³ See Schedule 2 (Presentation of service quality indicators) to the CMA's Draft Explanatory Note. Specifically, Figure 1 which sets out the format that the CMA intends to notify to providers in accordance with Article 17.3 of the Draft Order.

⁴ Available at <https://assets.publishing.service.gov.uk/media/58401223e5274a1307000052/service-quality-design-testing-qualitative-research-report.pdf>.

⁵ In addition, Nationwide also suggests that providers are given a joint ranking where there is no significant statistical difference in their results.

⁶ Research Works Report, page 32.

⁷ CMA's Draft Explanatory Note, page 37.

customer service. The CMA noted that this clarification is important to ensure respondents are less likely to include other factors (e.g. price or other benefits) in their response.⁸ It is not clear to Nationwide from Figure 1 that a recommendation to friends and family would be based on quality alone, if at all. For example, it may be that a customer would be willing to recommend a provider because of in-credit interest rates, but not on the overall customer service quality received. It is therefore imperative that: (i) appropriate context is given to respondents when presented with the `overall quality` question; and (ii) that Figure 1 is updated to make clear that the recommendation was based on quality of staff and customer service alone;

- (b) The Research Works Report states that “*if a metric does not apply, (for instance where a bank operates online only, or where a bank does not offer one of the services measured) respondents felt it would be appropriate to mark the bar ‘not applicable’.*”⁹ The CMA appears to have adopted an alternative approach in Figure 1 by including text under the introductory text on branch services which states “*Note: First Direct does not have branches*”. The reason for this alternative approach, which does not appear to follow the recommendations of the qualitative research, has not been explained fully by the CMA;
- (c) According to the Research Works Report, “*respondents felt that they would be puzzled if their bank did not appear in the survey. The small print at the bottom of the poster would need to include an explanation of why not all banks are included in the survey.*”¹⁰ While Figure 1 does contain a list of participating providers (and the total number of providers is included in the rankings) it does not explain why all providers are not included in the survey. Further, there are no explanatory notes setting out why the CMA has chosen not to adopt in full this recommendation from the qualitative research; and
- (d) The CMA has not adopted fully the recommended description of PCA providers, and has not explained why this approach has been chosen. According to the Research Works Report, “*The term ‘personal current account provider’ was commonly perceived to be more accurate than ‘bank’.*”¹¹ While the introductory text in Figure 1 refers to personal current account providers, the explanatory notes at the bottom of Figure 1 refer to “*participating banks*” and the number of customers surveyed for each “*bank*”.

⁸ CMA's Final Report, footnote 66.

⁹ Research Works Report, page 25.

¹⁰ Research Works Report, page 32.

¹¹ Research Works Report, page 32.

- (iii) The CMA's proposal requires providers' publications to contain a link and QR code to a website (where customers can see the full survey results and more detail on the survey methodology and previous results) and suggests they include "*an invitation to ask staff in branch for more details*".¹² To ensure all customers receive the same information, Nationwide believes that the link and QR code should be to a third party's website (e.g. the BBA or survey company) and that guidance should be given to all providers to ensure their staff provide consistent information to customers.
- (iv) In order to ensure that in-branch posters or digital displays show the indicators clearly, the brand logos will need to be high resolution images. These will need to be provided by providers.

3.4 In addition, Nationwide requests that the CMA clarify the following in the Draft Order:

- (i) Article 17.1.3(e) which requires providers to publish "*the service indicator set out in Article 15.1 within two steps of the Brand's primary mobile banking app screen*", as Article 15.1 includes four indicators.
- (ii) Article 17.1.4 which states "*for the avoidance of doubt this requirement does not impose an obligation on any Provider to publish such leaflets*". In Nationwide's view, providers would benefit from further clarity on what the CMA means by "*information leaflets*".

4. Part 5: Provision of transaction history

- 4.1 Nationwide believes that providers should only be required to provide transaction history on account closure when it is requested by the customer as there are inherent security concerns with disclosing so much sensitive financial data in one tranche, particularly when the customer is not expecting it.¹³ While the CMA has suggested that providers should amend their account closure procedures to inform customers of this facility (and their ability to opt out of it),¹⁴ there are many ways in which an account can be closed that do not require detailed customer interaction.
- 4.2 To the extent the CMA requires providers to provide transaction data automatically unless customers opt-out, Nationwide believes the scope of the undertakings given by Bacs should be broadened to require Bacs to work with CASS participants to agree on the

¹² CMA's Draft Explanatory Note, Schedule 2.

¹³ As previously submitted to the CMA, Nationwide also believes that requiring providers to automatically provide transaction data upon account closure would impose a disproportionate burden on providers in terms of the costs and time involved in producing and providing such data as a matter of course.

¹⁴ Final Report, paragraph 14.107.

information and questions that must be put to customers when informing them of the facility.¹⁵

5. Part 7: Monthly Maximum Charge (“MMC”)

- 5.1 Nationwide supports the CMA’s decision to require providers to publish the MMC of each PCA product separately. Nationwide however is concerned that the phrase ‘MMC’ could result in customers incorrectly concluding that it is the maximum amount they can be charged each month. In order to address this concern, Nationwide suggests that it is instead called the ‘Monthly Maximum Unarranged Charge’.
- 5.2 Nationwide is also concerned that the requirement to use the standardised wording set out in Schedule 2 to the Draft Order risks overcomplicating communications with customers at the expense of other important messages, for example information concerning grace periods and sources of help for customers in financial difficulty.
- 5.3 In order for providers to continue to provide their customers with clear and concise communications, Nationwide suggests that they are simply required to set out the MMC for the relevant product and a link to a website where further information can be obtained. For example, this could read as follows:

“The monthly cap on unarranged overdraft charges for your Nationwide [insert PCA product name] account is [insert amount]. Further details can be found online at [insert website address].”

6. Part 12: Monitoring and compliance reporting

- 6.1 Nationwide supports the CMA’s decision to require providers to submit compliance reports to the CMA annually and looks forward to reviewing the CMA’s template report in due course. Nationwide however notes that the CMA’s reporting obligations under Article 56 (which requires the compliance report to include a certificate signed by one director and one non-executive director (or where there are no non-executive directors, two directors of the provider)) are more onerous than those of the FCA and PRA. In Nationwide’s view, sign-off from a single director is sufficient.
- 6.2 Further, the date for the submission of the compliance report is 1st February (or the first working day thereafter) each year, which is (at most) one working day after providers are required to publish the service quality indicators.¹⁶ So that providers have sufficient time to implement both remedies properly,¹⁷ to the extent the CMA does not take into account our submission at paragraph 3.2(ii) above, Nationwide suggests that the CMA amends the compliance report submission date to 1st March.

¹⁵ In Nationwide’s view this would have to include a number of different questions, as each provider could fulfil in a different way (e.g. sent through the post, emailed documents, retrieval from web portal etc.).

¹⁶ Draft Order, Article 15.4.

¹⁷ In particular Nationwide notes it will be difficult to comply with the reporting obligations under Article 47 of the Draft Order.