

## RETAIL BANKING MARKET INVESTIGATION

### Retail Banking Market Investigation Order 2017

#### Notice of making an Order under sections 138 and 161 of the Enterprise Act 2002 issued under section 165 of, and Schedule 10 to, the Enterprise Act 2002

1. On 6 November 2014, the Competition and Markets Authority (CMA) board, in exercise of its power under [sections 131](#) and [133](#) of the Enterprise Act 2002 (the Act) made a reference for a market investigation into the supply of retail banking services to personal current account customers and to small and medium-sized enterprises (SMEs) in the United Kingdom (the market investigation).
2. On 10 November 2014, the CMA [appointed](#) from its panel a group of five independent members to conduct the market investigation and publish a [final report](#). The group was required to decide whether any feature, or combination of features, of each relevant market prevents, restricts or distorts competition and thereby has an adverse effect on competition (AEC) and if so, what action should be taken.
3. In relation to personal customers, the CMA's [terms of reference](#) included the supply of personal current accounts (PCAs), which includes overdrafts. In relation to SMEs, they included the provision of business current accounts (BCAs), overdrafts, general purpose business loans and deposit accounts, but they excluded non-lending products such as insurance, merchant acquiring, hedging and foreign exchange.
4. On 9 August 2016, the CMA published its report on the market investigation under [section 136](#), entitled *Retail Banking market investigation: Final report* (the Final Report), in which it concluded in accordance with [section 134](#) that:
  - (a) there are three separate AECs (which act in combination in certain circumstances) in each of Great Britain and Northern Ireland in relation to PCAs, BCAs and SME lending;
  - (b) the CMA should take action to remedy, mitigate or prevent the AECs and detrimental effects flowing from them;

- (c) in order to address the AECs and resulting customer detriment, an integrated package of remedies should be imposed consisting of:
- (i) three cross-cutting foundation measures that will underpin increased competition in the reference markets which have the object of increasing customer engagement and making it easier for personal and business customers to compare the prices and service quality of different providers and of encouraging the development of new services;
  - (ii) additional measures to make current account switching work better, including building on and improving the existing current account switch service;
  - (iii) a set of measures aimed at PCA overdraft users, a group of customers who suffer particularly from the competition failures in the PCA market; and
  - (iv) a set of measures targeted at the specific problems in SME banking, enhancing SME access to information through new comparison tools, requiring banks to offer an indicative price quote and eligibility indicator tool, requiring banks to agree and adopt a core set of standards for SMEs opening a BCA and additional published information thereby reducing the hold that incumbent banks have in the market for BCAs and SME loans.
5. The CMA's package of remedies is implemented by: (a) the Retail Banking Market Investigation Order 2017 (the Order) attached to this Notice; (b) [undertakings](#) entered into by Bacs Payment Schemes Limited; and (c) recommendations to HM Treasury, the Department for Business, Energy and Industrial Strategy, and the Financial Conduct Authority.
6. On 23 November 2016, the CMA published a [Notice of intention](#) to make the Order.
7. The CMA received 26 responses to its Notice of 23 November 2016, non-confidential versions of which have been published on the [CMA website](#), and has considered carefully all representations it has received. In light of those representations the CMA has made some modifications to the proposed Order it consulted on. The CMA considers that the modifications are not material in any respect and has decided, in accordance with paragraph 5 of Schedule 10 to the Act, that the Order, as modified, does not require any further consultation.

8. The CMA now gives notice of the making of the attached Order. The Order is made in accordance with [section 138](#) and in exercise of the powers conferred by [section 161](#) of and Schedule 8 to the Act.
9. This Notice, the Order and Explanatory Note accompanying the Order, which provides an explanation of how the Order is expected to operate, will be published on the CMA website.

*(signed)* ALASDAIR SMITH

*Group Chair*

2 February 2017