

To:
Mr Ray Milne
Divisional Risk Director for Customer
Products and Marketing
Lloyds Banking Group

From:
Alistair Thompson
Director of Remedies, Business and
Financial Analysis, CMA

Ms Kathryn Bailey
Head of Risk, PCA, Savings & Product
Governance
Lloyds Banking Group

27 February 2017

Dear Mr Milne and Ms Bailey,

**Northern Ireland Personal Current Account (PCA) Banking Market
Investigation Order 2008 as amended in 2011**

We are writing to you regarding three breaches reported by Lloyds Banking Group ('LBG'), two of which relate to Article 6 (Duty to notify a Customer before deducting overdraft charges and debit interest) and one which relates to Article 7 (Provision of switching information) of the Northern Ireland Personal Current Account Banking Market Investigation Order 2008 (as amended in 2011) ('the Order').

The breaches relate to LBG's failure to issue pre-notification statements to some customers, a failure to include 'Switching Leaflets' and delays in issuing pre-notification statements. This letter sets out the course of action that has been agreed between the CMA and LBG to address the breaches and affected customers.

As an outcome from its (separate) review of the Order on 14 October 2016, the CMA published a notice of revocation of the Order.¹ That notice contained the CMA's decision to revoke Article 6 with immediate effect and an expectation that Article 7.1 to 7.3 will be revoked in 2018. The breaches reported by LBG occurred when those provisions of the Order were in force. Accordingly, the CMA examined those breaches in accordance with its duty to monitor compliance with the Order.

Breaches

As part of our monitoring of the Order, LBG reported in 2016 three breaches of the Order as follows:

Breach one – Temporarily turning off automated 14 days pre-notifications (Article 6 Duty to notify a Customer before deducting overdraft charges and debit interest)

By virtue of Article 6 of the Order, LBG was required to notify customers at least 14 days before it deducted an overdraft charge and debit interest.

LBG reported that it had experienced an IT error which led to its automated issuing of pre-notifications being temporarily turned off for paperless-only customers. This error occurred between 28 January and 6 March 2016 and affected 6,300 customers. LBG implemented an IT solution to correct the cause of the issue.

LBG sent apology letters to all affected customers and offered refunds to those customers:

- who subsequently moved into financial difficulty due to the failure to provide pre-notification statements during the months of March and April 2016; or
- whose accounts moved into a fee-paying debit position during the month of March as a consequence of the original charge being debited from their account.

Full refunds of overdraft charges and fees plus 8% interest were provided to those customers in September 2016. LBG reported that the net total amount refunded to affected customers was £18,456.53.

¹ <https://www.gov.uk/cma-cases/northern-ireland-personal-current-account-order-2008-review>

The apology letters to affected customers who did not fall within these two categories invited them to get in touch with LBG if they had experienced financial detriment as a direct result of the issue.

LBG also reported that the breach could have had an effect on some customers' credit files. LBG worked with credit reference agencies to correct any credit files which had shown the whole month in arrears where this was corrected the following month, because those customers could have corrected the position earlier if they had received their pre-notification. This work was completed on 10 February 2017.

Breach two – Failure to issue Switching Leaflets to customers on an annual basis (Article 7 Provision of switching information)

LBG failed to issue Switching Leaflets to some customers along with their Annual Summaries. LBG reported that the root cause of this failure was that it had no agreed process for providing Switching Leaflets for customers registered for paperless Annual Summaries. In addition, some customers receiving paper Annual Summaries had not receiving Switching Leaflets along with the Annual Summaries because of a change in operational process to generate the Annual Summaries.

There were 142,275 affected customers within scope of the Order. LBG confirmed that on 5 December 2016 these customers were issued with the BBA Switching Leaflet along with an apology letter which explained the error and directed customers to contact LBG if they wished to discuss the matter or make a complaint.

LBG stated that it will provide the BBA Switching Leaflet to Northern Ireland customers on an ongoing basis for as long as the requirement remains and its processes will be subject to annual checks to ensure customers receive the Switching Leaflet.

Breach three - Delays in providing 14 days pre-notification statements (Article 6 Duty to notify a Customer at least 14 days before deducting overdraft charges and debit interest)

LBG reported that difficulties with its end-to-end process for issuing paper pre-notification statements via its third party provider resulted in a delay to some customers receiving these statements. LBG estimated that customers will have been provided with a notice period of no less than 11 days.

This breach resulted from a long-standing process design fault which pre-dates the Order but was only identified by LBG in January 2016 and reported to the CMA in July 2016.

LBG estimated the total number of occasions when customers did not receive their full 14 day notification, to be 276,769 (246,151 customer accounts were affected).

LBG confirmed that this issue will form part of its formal planning activity for 2017 and will take into account the CMA's decision as to the timing of the revocation of the relevant provisions of the Order. We expect LBG to continue to review and monitor its controls to ensure compliance with the Order and to inform the CMA of any future compliance issues that may arise and to do so as soon as any such issue is identified.

This letter will be published by the CMA on [GOV.UK](https://www.gov.uk). The date of publication will be Monday 27 February 2017.

Yours sincerely,

Alistair Thompson
Director
Remedies, Business and Financial Analysis