

# Basic bank accounts: July 2018 to June 2019

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ISBN 978-1-912809-92-9 PU2290

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# Chapter 1

## Introduction

- 1.1 Since the start of 2016, the 9 largest personal current account (PCA) providers in the UK have offered basic bank accounts that are fee-free for standard operations. This includes failed payments, removing the risk of customers entering unarranged overdraft. Basic bank account customers are able to use the same services (e.g. ATM and Post Office counter access, as well as counter access through the bank itself) as a financial institution's personal current account (PCA) customers. These 9 institutions are:
- Barclays
  - Clydesdale and Yorkshire Banks
  - Co-operative Bank
  - HSBC
  - Lloyds Banking Group (including Halifax and Bank of Scotland brands)
  - Nationwide
  - Royal Bank of Scotland (including NatWest and Ulster Bank brands)
  - Santander
  - TSB
- 1.2 Since September 2016, the 9 largest personal current account institutions have offered basic bank accounts under the terms of the Payment Accounts Regulations 2015. Prior to this, basic bank accounts were offered under the terms of a voluntary agreement ('the 2014 agreement'), which was the result of extensive negotiations with banking industry to improve basic bank accounts. The 2014 agreement is still in force and complements the terms set out under the Payment Accounts Regulations 2015.
- 1.3 The Government set the threshold for participation in the 2014 agreement on the basis of personal current account market share at the start of negotiations, and those with a market share greater than one per cent of the market were invited to participate. The rationale for this decision was that it captured the largest institutions, as well as the medium-sized institutions who were seeking to grow their market share, and ensured sufficient coverage across over 90% of the UK's personal current account market.
- 1.4 The 2014 agreement included a commitment by participating institutions to provide data to the Treasury on their basic bank accounts and personal current accounts, and a commitment by the Treasury to publish information

on basic bank account market share. The data in this publication fulfils that commitment.

## The Payment Accounts Regulations 2015

- 1.5 The 2014 agreement was made in the knowledge that the requirements in the EU's Payment Accounts Directive (PAD) would apply to the UK from 18 September 2016. Under PAD, consumers legally resident in the EU who meet certain eligibility criteria have a right to open and use a basic bank account.
- 1.6 PAD does not require every credit institution in the UK to offer basic bank accounts. Instead, member states must ensure that basic bank accounts are provided to consumers by a sufficient number of firms to guarantee access for all consumers and prevent distortions of competition.
- 1.7 At Budget 2016, the Government designated the same 9 participating institutions in the voluntary agreement under the Payment Accounts Regulations 2015 (PAR). This means that these 9 institutions are legally required to offer basic bank accounts, as defined in that legislation, to eligible customers from 18 September 2016.
- 1.8 At the same time, the then Economic Secretary to the Treasury wrote to the designated institutions to clarify that where their earlier commitments under the 2014 agreement were not superseded by the PAR, they were expected to continue to meet them. That included continuing to report the data outlined in paragraph 1.4 above. The Treasury included the text of these letters in the first publication of basic bank account data in December 2016.

## About the data

- 1.9 This publication presents data that has been reported to the Treasury in the last year by each of the 9 designated institutions. The Treasury has committed to publishing the data annually.
- 1.10 The first publication was published in December 2016 and reported on data from a six-month period, from January to June 2016. The second and third publications were published in December 2017 and December 2018, and reported on a full year of data from July 2016 to June 2017 and July 2017 to June 2018 respectively. The data in this fourth publication covers the period from 1 July 2018 to 30 June 2019.
- 1.11 This publication does not include data from institutions that were not designated under PARs. Other institutions in the UK may offer accounts that have similar features to a basic bank account, or are marketed as such, but data on those accounts is not reported to the Treasury.
- 1.12 The figures reported have not been verified by the Treasury or any other body. Enquiries on any individual institution's data or basic bank account product should be directed to that institution. The Financial Conduct Authority (FCA) is responsible for ensuring designated institutions comply with PARs.



# Chapter 2

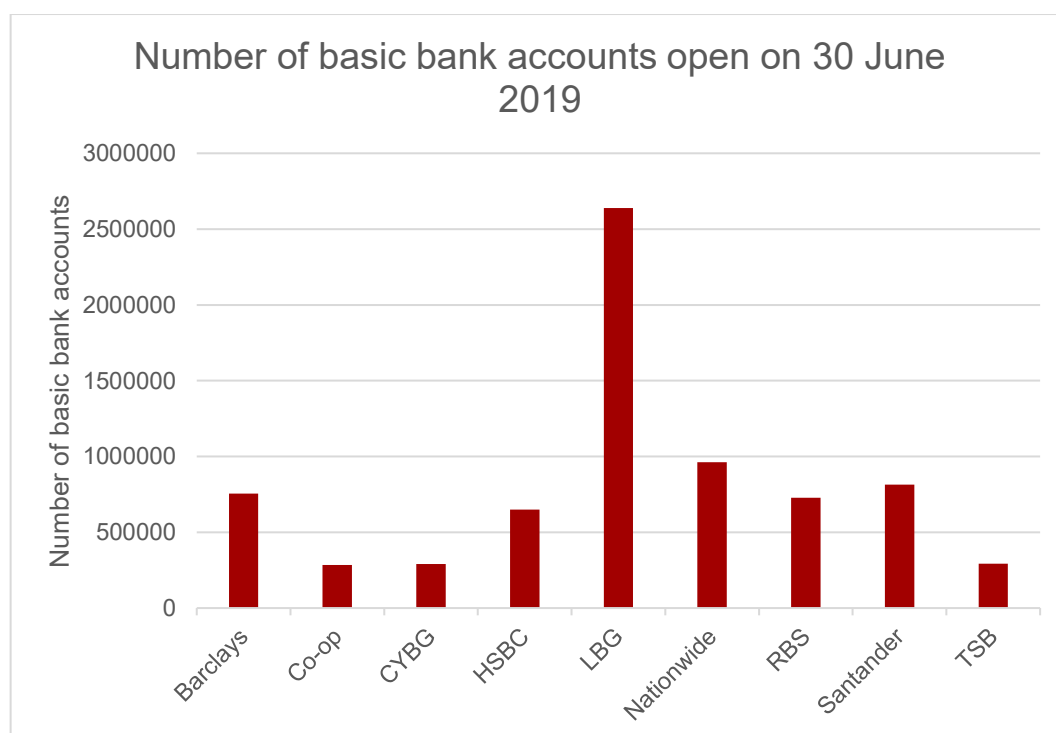
## Basic bank accounts

### Total stock of basic bank accounts

2.1 At 30 June 2019, there were 7,416,210 basic bank accounts open at the 9 designated institutions.

2.2 Chart 2A shows how many of these basic bank accounts were open at each designated institution.

Chart 2.A: Total stock of basic bank accounts at 30 June 2019



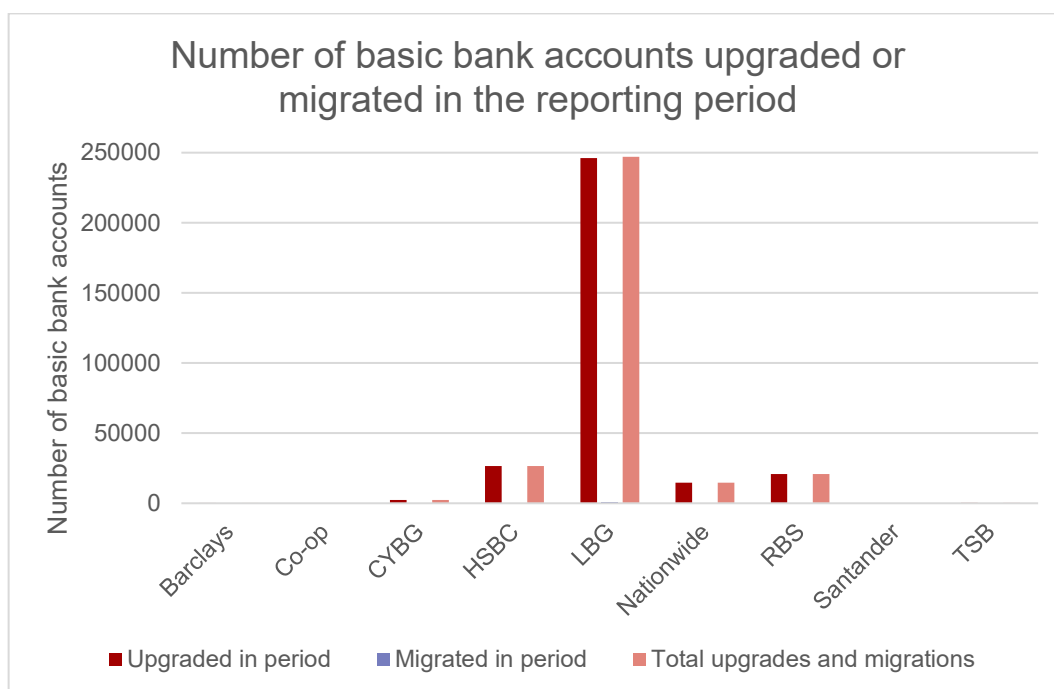
Source: HM Treasury

- A basic bank account is considered open even if no transactions on the account have taken place.
- A basic bank account is considered open if a decision has been taken to close the account, but the account has not yet been closed.

## Upgrades and migrations

- 2.3 Designated institutions may review their portfolio of basic bank accounts periodically and upgrade customers on to a more appropriate personal current account (PCA), taking account of:
- The eligibility criteria of basic bank accounts
  - The customer's financial circumstances
  - How the account is being used
- 2.4 Institutions will give the customers at least two months' written notice explaining why they intend to upgrade the account. Institutions should also have regard to the requirement to treat their customers fairly.
- 2.5 Chart 2B shows the total number of basic bank accounts that have been upgraded and/or migrated to another PCA in the reporting period by a designated institution.

**Chart 2.B: Total upgrades and migrations of basic bank accounts**



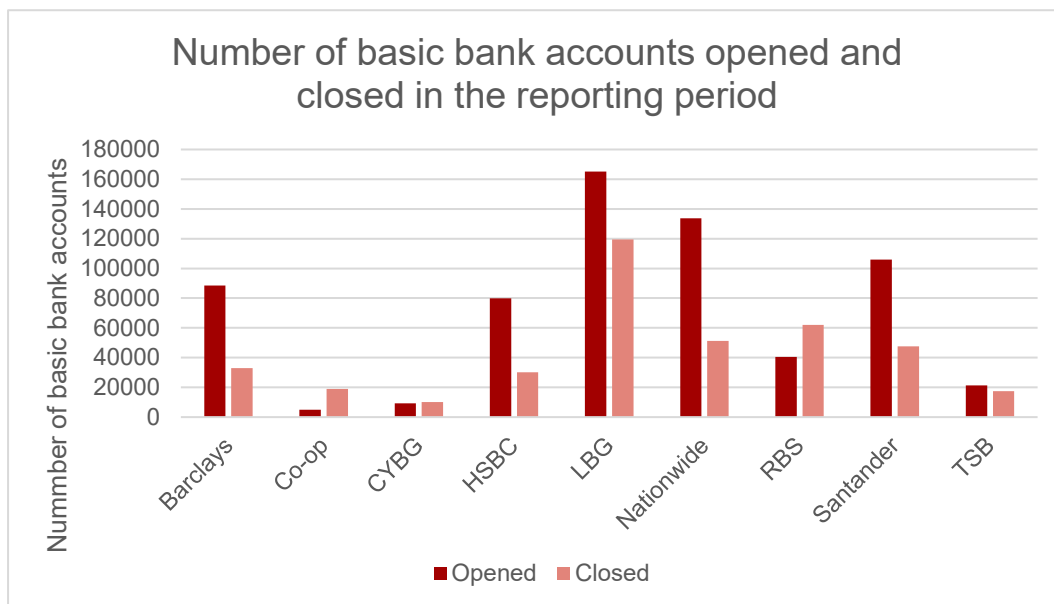
Source: HM Treasury

- The figures do not include the number of basic bank accounts for which written notice has been given to the account holder(s) that they will be upgraded, but have not been upgraded by the end of the reporting period.
- The figures include basic bank accounts that have been upgraded at the customer's request, as well as those upgraded or migrated in line with the process set out in the 2014 agreement.

## Opening and closing

- 2.6 Chart 2C shows the number of basic bank accounts that have been opened and closed during the reporting period.
- 2.7 A basic bank account opened under the PARs may only be closed without the customer's consent in limited circumstances, for example, if a customer has knowingly used, or attempted to use, the account for illegal purposes, or if there has been no transaction on the account for more than 24 months.<sup>1</sup>

Chart 2.C: Basic bank accounts opened and closed in the reporting period<sup>2</sup>



Source: HM Treasury

- The figures include basic bank accounts closed at the customer's request, as well as those closed in line with the processes set out in the PARs.

## Refusals

- 2.8 Under the PARs, designated institutions must refuse to open a basic bank account for a consumer where it would be unlawful for it to do so. This includes, for example, where opening an account would be contrary to the Fraud Act 2006 or the Money Laundering Regulations.<sup>3</sup>
- 2.9 Chart 2D shows the number of basic bank account applications refused at each institution.
- 2.10 The charts below include cases where an application could not be accepted due to the customer not meeting a participating institution's identification

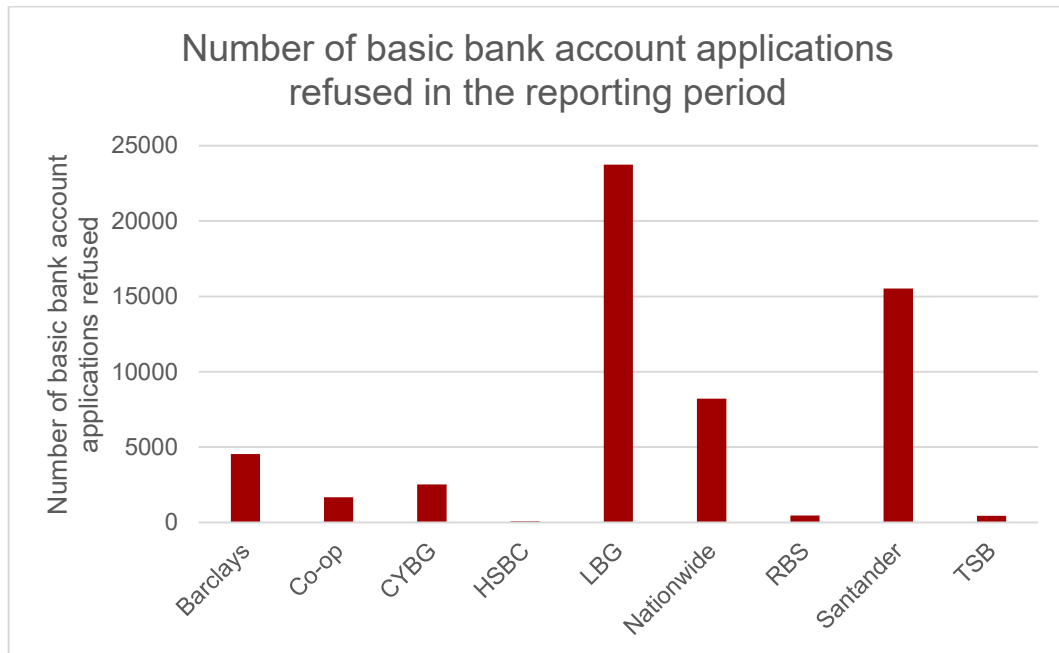
<sup>1</sup> A full list of circumstances in which a provider can close a basic bank account can be found in regulation 26 of the PARs.

<sup>2</sup> Data includes bank accounts that were closed due to an exercise by Co-op Bank to close non-transactional, nil balance accounts.

<sup>3</sup> A list of further circumstances in which a provider would have to refuse the opening of a basic bank account can be found in regulation 25 of the PARs.

requirements (where these took place after a full application has been made) or fraud checks.<sup>4</sup>

**Chart 2.D: Number of basic bank account applications refused in the reporting period<sup>5</sup>**



Source: HM Treasury

- This data includes partially completed applications that are considered and subsequently refused. However, it does not consider partially completed applications that are not yet considered to be accepted or refused.
- The data does not include applications that are still under consideration or 'pending'.
- There is not a standardised definition of what constitutes a refused application, therefore there may be some variation between the refusal numbers of each designated institution.
- The PARs require that where an application is refused, the participating institution must, without delay, inform the customer in writing and free of charge of the reason for the refusal if it may lawfully do so. In those circumstances the institution must also tell the customer how to complain to the institution and the Financial Ombudsman Service, and provide the relevant contact details.

<sup>4</sup> Due to there being no standardised definition of a refusal, the refusal data for some banks does not include those refused for failing required ID checks prior to discussing the product choice.

<sup>5</sup> RBS's number of refusals decreased from the reporting period July 2017 – June 2018 to the reporting period July 2018 – June 2019 as a result of changes in fraud checks.

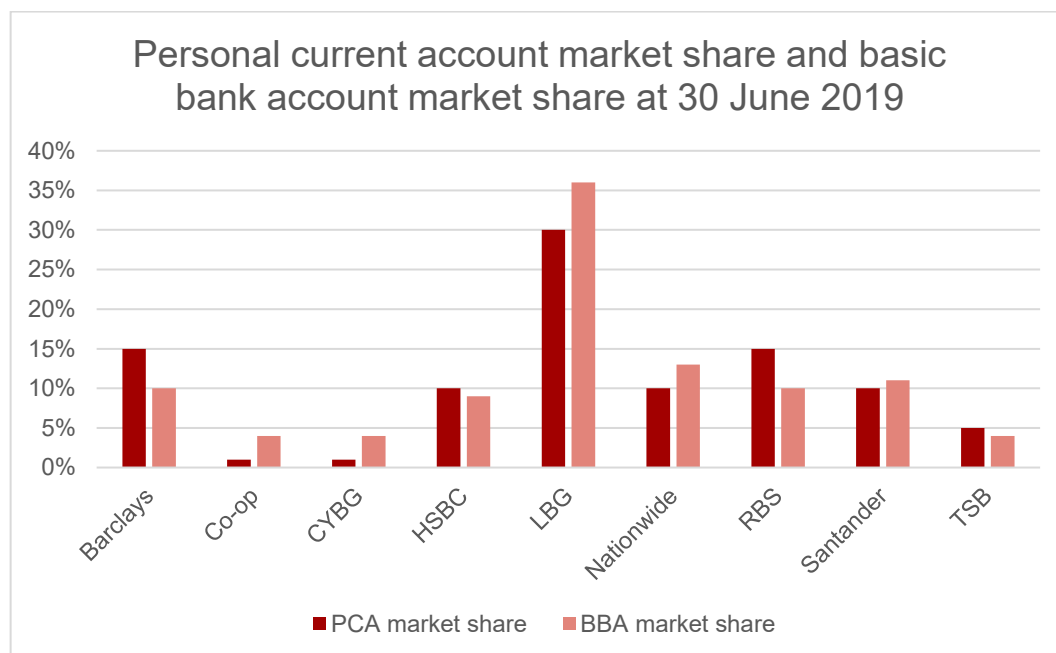
# Chapter 3

## Market distribution

### Market shares

- 3.1 Chart 3A uses data reported by designated institutions on their total numbers of personal current accounts and basic bank accounts to calculate market shares and compare them.
- 3.2 Market share in chart 3A refers to the share of the market held by the 9 designated institutions only. The market shares have not been calculated based on the entire UK market.
- 3.3 The personal current account (PCA) market shares have been rounded to the nearest 5% (or 1% where that value would have been zero), because some firms consider the PCA market share to be commercially sensitive information.
- 3.4 Designated institutions are not required to reach or exceed any particular number of basic bank accounts. There is no upper or lower limit on the number of basic bank accounts a designated institution can open or hold.

**Chart 3.A: Comparing personal current account market share and basic bank account market share<sup>1</sup>**



<sup>1</sup> CYBG's PCA figure now encompasses Current Account Mortgages



# Chapter 4

## Further information

- 4.1 The Money Advice Service provides further information about basic bank accounts on [their website](#).
- 4.2 If you would like to know more about a specific credit institution's basic bank account product, or would like to apply for one, you can visit any of the 9 providers' websites or ask in branch for more information.
- 4.3 The Treasury's previous publications of basic bank account data can be found on [gov.uk](#).
- 4.4 Further information about the 2014 agreement can be found on [gov.uk](#).
- 4.5 The Payment Accounts Regulations 2015 can be found on [legislation.gov.uk](#).
- 4.6 Further information on the UK's compliance with PAD can be found on [gov.uk](#).