

Chief Executive Officer
Clydesdale Bank Plc

From: Adam Land
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Clydesdale Bank Plc has breached the Small and Medium-sized Enterprise (SME) Banking Behavioural Undertakings 2002 (the Undertakings) in relation to loans offered under the Bounce Back Loan Scheme

I am writing to you on behalf of the CMA concerning Clydesdale Bank plc and its breach of the undertakings which has affected 55 Clydesdale Bank small business customers.

The breach

In 2002, Clydesdale Bank plc (Clydesdale) undertook not to require customers to open and maintain a business current account as a condition of receiving, servicing or maintaining a loan, a process known as bundling.

The UK Government launched the Bounce Back Loan Scheme (the Scheme) on 4 May 2020 to enable smaller businesses to access finance more quickly during the Coronavirus (Covid-19) pandemic. Clydesdale started to provide loans under the Scheme on 4 May 2020.

The CMA engaged with Clydesdale shortly after the Scheme was introduced and Clydesdale told us at that time that it believed its approach to Bounce Back Loans to have been compliant with the undertakings. However, following further investigation by the CMA, Clydesdale confirmed it had required 55 SMEs (with a business established after April 2019 and operating their business finances through a personal current account with Clydesdale Bank) to open or maintain a business current account as part of the application process for a Bounce Back Loan. Clydesdale considered this to be the most robust way to quickly meet the demand for support by these SMEs while also meeting its 'know your business' legal obligations and the fraud check requirements of the Scheme.

In addition to the 55 Clydesdale customers impacted, Clydesdale identified that 112 Yorkshire Bank customers were also affected by the bundling of Bounce Back Loans and business current accounts. Yorkshire Bank is not within the scope of the undertakings, as it was under separate ownership when the undertakings were given. However, in dealing with this matter, Clydesdale has sought to ensure consistency of treatment across its bank brands.

The CMA's concerns

The undertakings prohibit the bundling of loans and business current accounts which helps to prevent large banks from restricting competition. The undertakings preserve choice for businesses about the banking services they use, allowing them to select their preferred business account provider independently of any lending relationships.

Clydesdale confirmed that customers will not initially be charged for holding these business current accounts. Clydesdale's actions have resulted in 55 SMEs opening business current accounts they may not have wanted or needed, in order to obtain finance. The CMA is keen to ensure that SMEs remain able to take out loans under the Scheme. However, where Clydesdale required some SMEs to open a business current account with it in order to apply for a Bounce Back Loan, this is a breach of the undertakings.

The bank's actions to end the breach

Clydesdale agreed to put an end to the breach and mitigate the impact of this breach on customers by taking the following actions:

- In December 2020, it wrote to affected customers (for consistency this included the 112 Yorkshire Bank customers affected by bundling but not within the scope of the undertakings) to apologise for requiring them to open a business current account as part of the Bounce Back Loan application process;
- It offered those customers the option to switch a business current account to a fee free loan servicing account;
- It introduced a choice of a fee free loan servicing account option to new loan applicants. This action brings the breach to an end as a customer would have a genuine choice between a business current account and fee free loan servicing account to apply for a Bounce Back Loan;
- It has updated its website with key customer messages offered by the CMA and the bank has further plans to update guidance on its website; and
- It will be writing to its business current account customers a month before charges or fees apply and give a further reminder of the choice to switch to a fee free loan servicing account;

These actions are included with relevant timings in Clydesdale's Action Plan published alongside this letter. The breach, and consequently Clydesdale's remedial actions, apply only to loans provided under the Scheme and not to other existing or future SME lending by Clydesdale. Clydesdale has now taken voluntary action to stop this practice for Yorkshire Bank customers to ensure consistency of treatment across its bank brands.

In assessing the circumstances of this breach, the CMA has been mindful of the challenging circumstances related to the Coronavirus (Covid-19) pandemic in which this breach occurred and the vital support these loans have provided to smaller businesses in the UK.

Next Steps

Given the positive engagement with Clydesdale and the nature and scale of the actions it has proposed and taken, the CMA does not consider it appropriate to take formal enforcement action at this time. However, the CMA will monitor this issue closely and reserves the right to take formal enforcement action should Clydesdale fail to adhere to its Action Plan.

Yours sincerely

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